BEACH ENERGY

Annual Report 2016

Positioned for Growth

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

Beach Energy

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

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

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

Our vision

We aim to be Australia's premier multi-basin upstream oil and gas company

Our purpose

To deliver sustainable growth in shareholder value

Our values

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

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

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

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Competent persons statement

The reserves and resources information in this presentation 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.

Annual General Meeting

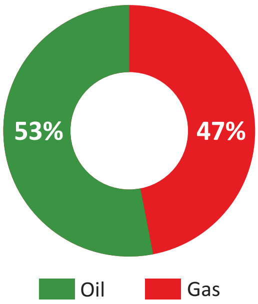
Venue: Adelaide Convention Centre
Address: North Terrace, Adelaide, SA 5000
Date: 10.30am, Thursday, 10 November 2016

About Beach Energy

"Beach Energy is committed to creating shareholder value in a sustainable manner. We have a clear focus on our geographic areas of expertise – Australia and nearby locations with similar risk profiles."

Matt Kay
Chief Executive Officer

***Record production** of*
9.7 MMboe

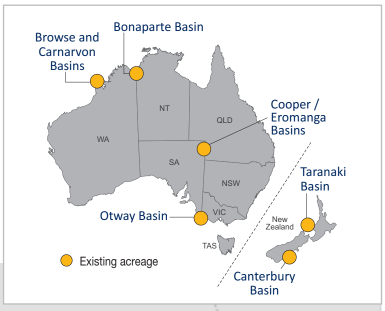


Beach Energy is an ASX-listed oil and gas exploration and production company, with core operations in South Australia's Cooper and Eromanga basins, Australia's most prolific onshore oil and gas province. We are a values-based organisation, where safety takes precedence in everything we do. Beach is committed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

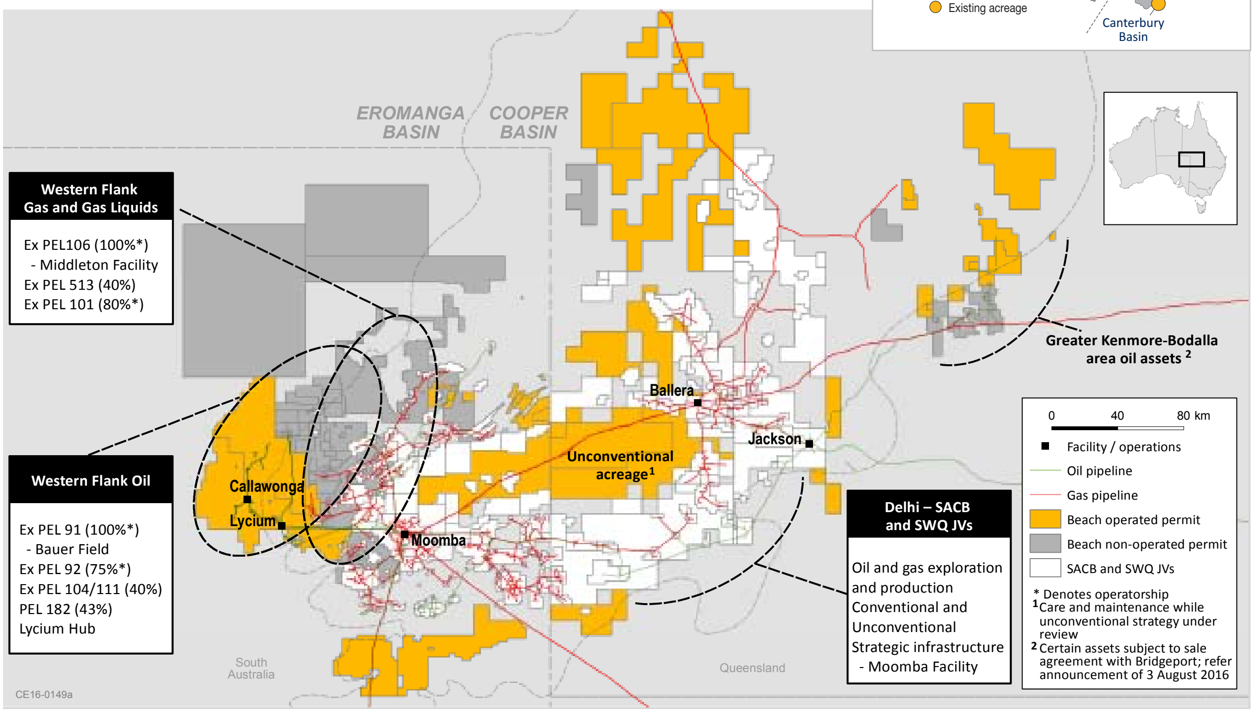
Beach has established a world-class operated oil business on the Western Flank of the Cooper Basin, and has grown to become Australia's largest onshore oil producer. We have an active operated drilling program, with a strong focus on Western Flank exploration, and we continue to develop our acreage across the Cooper Basin.

Beach also has a major gas business with strategic infrastructure, which is well positioned to service demand in the Australian east coast gas market. In addition to the Cooper Basin, Beach has permits in other basins around Australia and New Zealand. International operations further abroad have been curtailed so as to re-focus efforts closer to home.

Beach is actively pursuing growth opportunities within Australia and nearby which align with our strategy and satisfy strict capital allocation criteria. These efforts are being undertaken in a disciplined manner.



Cooper and Eromanga basin permit interests



Our strategy

Demonstrated progress against strategic objectives

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 east coast gas business*
- *Pursue other growth opportunities*
- *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.

"There are increasing signs of gas supply and demand imbalances in the east coast market.

With our gas portfolio comprising strategic infrastructure and a broad acreage position, the east coast thematic presents as a significant opportunity for Beach."

Rod Rayner
Group Executive Commercial

Optimise our core in the Cooper Basin

- ✓ Drillsearch merger and integration
- ✓ 26% operated field cost reduction[1]
- ✓ 90% drilling success rate
- ✓ Continued safety standard excellence

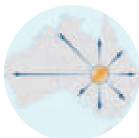
Maintain financial strength

- ✓ Net debt free
- ✓ Corporate cost savings
- ✓ $28 million net cash generated
- ✓ ~$550 million year-end liquidity

Build an east coast gas business

- ✓ Greater influence over SACB JV participation and outcomes
- ✓ Commencement of Origin oil-linked gas sales with attractive terms
- ✓ Multiple basin reviews progressed
- ✓ Disciplined review of opportunities

Pursue other growth opportunities



- ✓ Rationalisation of poor performing assets
- ✓ Multiple basin reviews completed or progressing
- ✓ Criteria and process enhanced
- ✓ Disciplined review of opportunities

(1) *Field operating costs for ex PEL 91, 92 and 106; excludes tariffs, tolls and royalties*

Performance overview

"The company generated cash in FY16 and finished net debt free. Our robust financials allowed us to pay a dividend for the 15th consecutive year."

Morné Engelbrecht
Chief Financial Officer

$233 million
of operating cash flow

Performance overview

65% reduction in breakeven cash flow to **US$26 per barrel** (2)

Results for the past five years

		FY12	FY13	FY14	FY15	FY16
Production	MMboe	7.5	8.0	9.6	9.1	9.7
2P reserves	MMboe	93	93	86	74	70
2C contingent resources	MMboe	467	449	467	677	205
Sales revenue	$ million	619	698	1,052	728	558
Net profit after tax	$ million	164	154	102	(514)	(589)
Underlying net profit after tax	$ million	122	141	259	91	36
Earnings per share	cps	14.4	12.2	7.9	(39.6)	(39.6)
Underlying earnings per share	cps	10.7	11.1	20.3	7.0	2.4
Cash flow from operating activities	$ million	218	262	583	229	233
Net assets	$ million	1,612	1,783	1,871	1,355	1,075
Net debt / (cash)	$ million	(229)	(198)	(261)	(20)	(49)
Gearing ratio	%	7.60	7.36	8.55	11.0	13.5
Fully franked dividends declared per share	cents	2.25	2.75	4.00	1.50	0.50
Shares on issue	million	1,256	1,269	1,292	1,300	1,861
Share price at year end	$	0.94	1.14	1.68	1.05	0.61
Market capitalisation at year end	$ million	1,180	1,440	2,171	1,365	1,135

(2) *Average annual oil price whereby cash flows from operating activities before tax equate to cash flows from investing activities less discretionary expenditure and acquired cash*

Drillsearch merger and organisational review

Drillsearch Merger

The merger of Beach and Drillsearch was implemented on 1 March 2016, and integration of the businesses was completed prior to year-end.

The merger delivered a range of benefits, including 100% ownership of key Western Flank oil and gas permits, additional gas and gas liquids acreage, and an enlarged exploration footprint.

In addition, $40 million of annual pre-tax cost savings will be achieved in FY17 due to elimination of duplicated operational and administration functions.

Organisational Review

In conjunction with the integration of Drillsearch, a review of Beach's organisational structure was undertaken 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 merged operations of Beach and Drillsearch now operate with a lower headcount than that of Beach prior to the merger.

"The merger with Drillsearch strengthened Beach's platform for growth and provided a broad range of cost savings and other benefits.

The transaction was in line with our strategy and demonstrated Beach's ability to deliver inorganic growth."

Matt Squire
Group Executive
Corporate Development and Strategy

$40 million of pre-tax annual cost savings from the merger with Drillsearch

Bauer facility

Chairman's letter

Glenn Davis

Dear Shareholder,

The 2016 financial year was a year of change at Beach. A new Chief Executive Officer, new assets acquired through the Drillsearch merger, new Board members and a new operating model to meet the challenge of the current oil price and position the Company for growth through this cycle.

Throughout that change, operating performance has remained strong.

Last year I spoke of Beach positioning itself for a "lower for longer" oil price environment. One year later oil prices have declined further and the industry remains challenged. Despite that Beach has weathered the storm, strengthened its financial position and greatly enhanced its prospects for growth.

The past year was one of operational success. We achieved record production, commissioned new facilities and successfully undertook a number of field development projects. We also reported good success with the drill bit, including an exploration success rate of 75% from 16 wells. We aim to continue this momentum in this year's operated drilling program with a strong focus on Western Flank exploration to support ongoing growth in our existing portfolio.

Financially, the results demonstrate the robust, low cost nature of Beach's operations. Despite a 33% reduction in realised oil prices, Beach generated operating cash flow of $233 million. This was driven by a strict focus on cost reduction, realising synergies as a consequence of the Drillsearch transaction, and a disciplined approach to capital allocation.

With increased year end cash reserves the Board maintained a dividend through this very difficult cycle.

We also delivered progress against our four key strategic objectives during the year.

The Drillsearch transaction and the associated $40 million in synergies strengthened our Western Flank footprint. Other cost and capital reductions resulted in a material lowering of our cash flow break even on a per barrel basis, optimising our core operations. Our financial position remains strong with cash generated during the year and available liquidity. This positions us to drive growth in both the existing portfolio and from new opportunities that fit strategy and meet our value criteria. We continue to take steps to execute against our strategy as this new financial year unfolds.

Chairman's letter

During the year we reduced the carrying value of various exploration, development and international assets resulting in a statutory loss for the year. This reflects a disciplined alignment of our portfolio with our strategy and the reduced oil price environment in which we now live. The Board also considered it prudent to de-book contingent resources associated with the Nappamerri Trough natural gas project. This decision reflects the high capital costs required to commercialise this gas and is an acknowledgement that further progress will not occur over the medium term. Whilst a huge resource remains, extracting it commercially with current technology in the current environment is not possible.

Throughout the year a number of changes occurred at both Board and staff level. On behalf of the Board I welcome the new appointments and thank those who have left the Company for their tremendous contribution.

Staying true to our strategy, a strict focus on cost, the benefits of the Drillsearch transaction, and a disciplined approach to capital allocation have strengthened Beach's resilience at a low point in the cycle. This resilience and the strength of the underlying business puts your Company in a strong position to deliver on its growth strategy.

In closing, I would like to thank all of our staff for their hard work, particularly during a year of change and volatility. On behalf of the Board I thank you, as shareholders, for your ongoing support of your Company.

Glenn Davis
Chairman
28 September 2016

Chief Executive Officer's report

Matt Kay

It is with much pride that I deliver my first report as Chief Executive Officer of Beach Energy.

On arrival at Beach my expectations were high, and I am pleased to report that our results from FY16 have reinforced my early optimism. Over the past year, Beach demonstrated the resilient nature of its base business, generating underlying net profit and an increase in cash reserves in what was a challenging year for the sector. Beach itself underwent much change as we continued to adapt to a "lower for longer" oil price environment. At year-end, your Company was in robust shape and well positioned for growth.

First impressions

It is clear to me that Beach has earned a strong licence to operate. The Company has grown from a minnow 15 years ago to one which is now Australia's largest onshore oil producer with a diverse portfolio of oil and gas assets. We have the technical know-how and expertise to run our proven low cost operations, and our workforce is committed with a safety-first culture. Furthermore, our operating track record has earned us broad stakeholder support. Couple these elements with our diverse asset base and financial strength, and the organisation enablers are well established to enable Beach to achieve its strategic objectives.

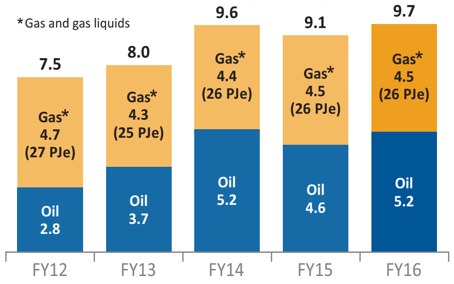
It is clear that Beach is well positioned for growth. The Company completed its whole-of-organisation review during FY16. The review aimed to clearly define the company's medium and long-term strategies, and ensure the appropriate structure and capabilities are in place to support these endeavours. The review firmly established our four-pillar growth strategy and recommended various organisational changes to align our capabilities and objectives. I have fully endorsed the strategy and organisational design recommendations. With the framework, resources and plans in place, the management team has been able to concentrate on managing the business and delivering the strategy since my arrival.

FY16 operating and financial results

Our results from FY16 clearly demonstrate the strength of Beach's core operations and our ability to prosper during challenging market conditions.

On the operations front, we achieved record production of 9.7 million barrels of oil equivalent assisted by the successful merger with Drillsearch from 1 March 2016, 46 new wells brought online and completion of various field development projects. We also had success with the drill bit, with an exploration success rate of 75% from 16 wells. This included five new field discoveries from a five well program in the Windorah Trough, Queensland. Overall, Beach participated in 51 wells with a success rate of 90%.

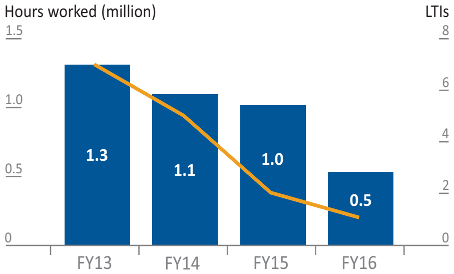
Production (MMboe)



On the financial front, we achieved record sales volumes of 10.8 MMboe, proactively managed our capital expenditure, and diligently focussed on reducing costs across the business. These efforts contributed to our underlying net profit of $36 million and operating cash flow of $233 million. Importantly, we reduced our cash flow breakeven by 65% to US$26 a barrel,[3] a world class level by any standard. We ended the year with increased cash reserves, no net debt and access to over $500 million of liquidity. It is a credit to the team that in a year of low and volatile oil prices, Beach strengthened its financial position.

It is important to note that our operating results and cost reductions were achieved with safety front of mind. Our already high safety standards were further improved, with the recordable incident rate reduced by 76% and only one lost time injury recorded.

Hours worked and LTIs



[3] *Average annual oil price whereby cash flows from operating activities before tax equate to cash flows from investing activities less discretionary expenditure and acquired cash*

Chief Executive Officer's report

FY16 progress against strategic pillars

In FY16 Beach made solid progress against each of its four strategic pillars. This progress strengthened our foundation for growth and our leverage to an oil price recovery. Key highlights include:

- **Drillsearch merger:** The merger with Drillsearch strengthened our core operations in the Western Flank. Integration was completed seamlessly and ahead of schedule, and we will benefit from $40 million of associated cost savings in FY17. With 100% ownership of core Western Flank permits, the transaction also increased our leverage to an oil price recovery. Importantly, with inorganic growth a key element of Beach's strategy, completion of the Drillsearch merger demonstrates our ability to deliver such growth.
- **Portfolio rationalisation:** Progress was made divesting assets and exiting permits which were deemed as non-core or poor performing. This included sale of Beach's Egyptian assets, exit from the Basker-Manta-Gummy permits in the Gippsland Basin, and sale of Kenmore-Bodalla interests in Queensland. Portfolio rationalisation is delivering operating efficiencies and these efforts will continue in FY17.
- **Greater influence over the Cooper Basin joint venture:** Recent changes to the operating arrangements for our Cooper Basin joint ventures with partners Santos and Origin have provided Beach with greater influence and control over these operations. Beach now separately lifts and markets its share of gas, and may opt out of most drilling campaigns if financial or other metrics do not warrant participation. This greater level of influence has resulted in higher gas pricing from our new oil-linked gas contract with Origin, an expected 35% reduction in capital expenditure in FY17 compared with FY16, and initial evidence of cost savings by the operator, with further reductions expected in FY17.
- **Revised capital allocation framework:** We are actively reviewing growth opportunities which are consistent with our strategy and risk profile. To guide our capital allocation decisions, a revised approach to due diligence comprising risk assessment, screening criteria and strict stage gates was implemented. With our base business performing well, we are pursuing opportunities in a disciplined manner and are prepared to wait for the right opportunities.

Outlook for FY17 and closing observations

Our outlook for FY17 is exciting. We will continue to manage our operations under the assumption of a "lower for longer" oil price environment, but our robust, profitable operations enable us to continue investing for growth. Beach is also a company highly leveraged to any increase in oil prices.

We recently commenced our operated drilling program, with 13 wells to be drilled in FY17. Of these, 10 are exploration wells which may greatly expand our future prospects on the Western Flank. We also have major development projects underway, including a 60% increase in oil production capacity at the Bauer facility and gas compression at the Middleton facility. These activities give us confidence in guiding toward another year of record production in FY17.

As I reflect on my first six months at Beach and results from FY16, I believe our value proposition is clearly evident.

- We have **robust core operations** which are profitable and cash generative in lower oil price environments. We have re-shaped the business to be resilient in such conditions, with a world-class cash flow breakeven of US$26 per barrel.
- With over five million barrels of oil production, oil-linked gas sales and low cost operations, Beach is **leveraged to an oil price recovery**. We estimate that a US$10 increase in the average annual realised oil price will deliver Beach an additional $50 million of NPAT and $65 million of operating cash flows.
- **Material cost savings** have been achieved, demonstrating our ability to optimise our core Western Flank operations. We achieved operated cost reductions in the order of 24% [4] and are beginning to see results from cost saving initiatives within our Cooper Basin joint ventures operated by Santos. It is early days, but we have confidence in targeting further cost reductions in excess of 15%.
- We **continue to invest in our core business** and have an exciting drilling program planned for FY17. The exploration component may open up new prospectivity and our field development projects will increase our production capacity.
- We will pursue **inorganic growth opportunities** that fit our strategy and are aligned with our risk profile. We are active and disciplined, and prepared to wait patiently for the right transactions that create shareholder value. Our financial strength places Beach in a good position to pursue such growth.

In closing, I would like to extend my gratitude to the Board, executive team and staff for not only welcoming me to Beach, but for their continuing diligent efforts in delivering results during challenging times. With a robust core business and leverage to an oil price recovery, Beach is well positioned for growth.

Matt Kay
Chief Executive Officer
28 September 2016

[4] *Field operating costs, tariffs, tolls and royalties for ex PEL 91, 92 and 106*

Board

Glenn Davis

Independent non-executive Chairman

LLB, BEc, FAICD

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.

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).

His special responsibilities include membership of the Remuneration and Nomination Committee.

Colin Beckett

Independent non-executive Deputy Chairman

FIEA, MICE, GAICD

Mr Beckett joined Beach in 2015. As an engineer with over 35 years' experience in engineering design, project management, commercial and gas marketing, Mr Beckett offers a diverse and complementary set of skills in a range of technical disciplines. Mr Beckett previously held senior executive positions at Chevron Australia Pty Ltd, most recently as the General Manager responsible for the development of the Gorgon LNG and domestic gas project, being developed on Barrow Island offshore Western Australia.

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.

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

Philip Bainbridge

Independent non-executive director

BSc (Hons) Mechanical Engineering, MAICD

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.

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.

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

Fiona Bennett

Independent non-executive director

BA (Hons) FCA, FAICD, FAIM

Ms Bennet joined Beach in 2012. She 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.

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

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

Board

James McKerlie

Independent non-executive director

BEc, Dip Fin Mgt, FCA, FAICD

Mr McKerlie joined Beach in March 2016. He 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.

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

His special responsibilities include membership of the Audit Committee.

Douglas Schwebel

Independent non-executive director

PhD BSc (Hons) Geology

Dr Schwebel joined Beach in 2012. He 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.

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

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

Ryan Stokes

Non-executive director

BComm, FAIM

Mr Stokes joined Beach in July 2016. 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.

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

Executive

Matthew Kay

Chief Executive Officer
- BE Commerce, MBA

Mr Kay joined Beach in May 2016 as Chief Executive Officer. He most recently served as the Executive General Manager, Strategy and Commercial at Oil Search, a position he held for the last two years. In that role he was a member of the executive team and lead the strategy, commercial, supply chain, economics, marketing, M&A and legal functions. Prior to Oil Search, Mr Kay was the Vice President of Corporate Development at Woodside Petroleum Limited, holding several leadership roles across corporate and business units, developing extensive leadership skills across LNG, pipeline gas and oil joint ventures and developments both internationally and within Australia. He is a Fellow of CPA Australia and a graduate of the Australian Institute of Company Directors.

Morné Engelbrecht

Chief Financial Officer
- BCom (Hons), CA (SA), MAICD

Mr Engelbrecht was appointed Beach's Chief Financial Officer in September 2016. He is a Chartered Accountant with experience in the oil, gas and resource sectors across various jurisdictions, including Australia, South Africa, the United Kingdom, Papua New Guinea and China. He held the position of Chief Executive Officer of ASX-listed Carbon Energy Limited prior to his role with Beach. Prior to this he held various financial, commercial and advisory senior management positions at InterOil, Lihir Gold and PwC. He also brings extensive experience in strategy and planning, debt and equity markets, mergers and acquisitions, joint venture management and operations.

Michael Dodd

Group Executive Exploration and Development *- BSc (Hons) Geology*

Mr Dodd was appointed Group Executive Exploration and Development in March 2016. Prior to this he held the position of General Manager Exploration and Development since July 2014 where he was responsible for managing Beach's exploration and development programs and budgets for Australia. He joined Beach in 2007, initially in the role of Senior Geologist.

Catherine Oster

General Counsel and Company Secretary *- BA (Jurisprudence), LLM (Corporate and 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.

Rodney Rayner

Group Executive Commercial
- BSc (Hons) Geology, GAICD

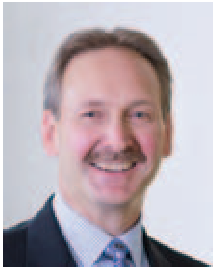
Mr Rayner joined Beach in 2011 following a period where as a consultant he assisted with driving growth in Beach's gas business. His career spans more than 30 years in the oil and gas industry, including executive roles at AGL and Santos (including head of its Qld/NT business). He has extensive experience in business development, joint venture and commercial management, petroleum marketing and the delivery of major oil, gas and infrastructure projects.

Executive

Matthew Squire

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

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



Kevin Welsh

Acting Chief Operating Officer - *BSc Chemical Engineering*

Mr Welsh joined Beach in 2012 and was appointed the role of Acting Chief Operating Officer in July 2016. Mr Welsh's substantive position is General Manager Production. He has more than 25 years' experience in the oil and gas industry, in Drilling and Completions and Petroleum Engineering positions with Major, Intermediate and Junior Oil and Gas producers in both Canada and Australia. As Acting Chief Operating Officer, he has responsibility for operational activities including drilling, subsurface and surface engineering and production field operations as well as health, safety and environmental performance.

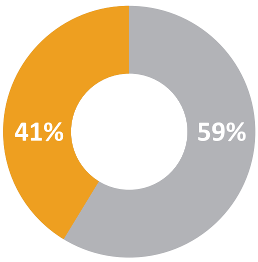
Review of operations

"Beach's reputation for operational excellence was again evident in FY16.

Record production and a broad suite of field development activities were undertaken, while our already high level of safety standards continued to improve."

Mike Dodd
Group Executive Exploration and Development

41% *of production from operated permits*



Operational highlights from FY16 are summarised below. Further details are contained later in this Annual Report within the Directors' Report.

Production

Beach achieved record production of 9.7 MMboe in FY16, of which oil accounted for 53% and gas and gas liquids accounted for 47%. The successful merger with Drillsearch and various field development and production optimisation projects underpinned Beach's record results.

- **Western Flank oil** operations 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. Net production was 4.0 MMbbl (11,000 bopd), up 17% from FY15.
- **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 exploration interests in conventional and unconventional acreage. Net production was 370 kboe (1,015 boepd), up 13% from FY15.
- **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 portion of oil production. Net sales gas and gas liquids production of 4.1 MMboe was down 3% from FY15 and net oil production of 810 kbbl was down 9% from FY15.
- Other oil and gas production was derived from permit interests in Egypt and Queensland. As announced subsequent to year-end, Beach has completed the sale of its Egyptian assets and entered a binding agreement for sale of the Queensland oil producing assets.

Production by area

	Area	FY15	FY16	Change
Oil (kbbl)	Cooper / Eromanga basins	4,490	5,028	12%
	Egypt	132	141	7%
	Total oil	**4,622**	**5,169**	**12%**
Gas (PJ)	Cooper Basin	22.1	21.8	(1%)
	Egypt	0.1	0.3	365%
LPG (kt)	Cooper Basin	44.3	43.9	(1%)
Condensate (kbbl)	Cooper Basin	361	353	(2%)
	Total gas / liquids (kboe)	**4,524**	**4,496**	**(1%)**
Total Oil, Gas and Gas Liquids (kboe)		**9,146**	**9,666**	**6%**

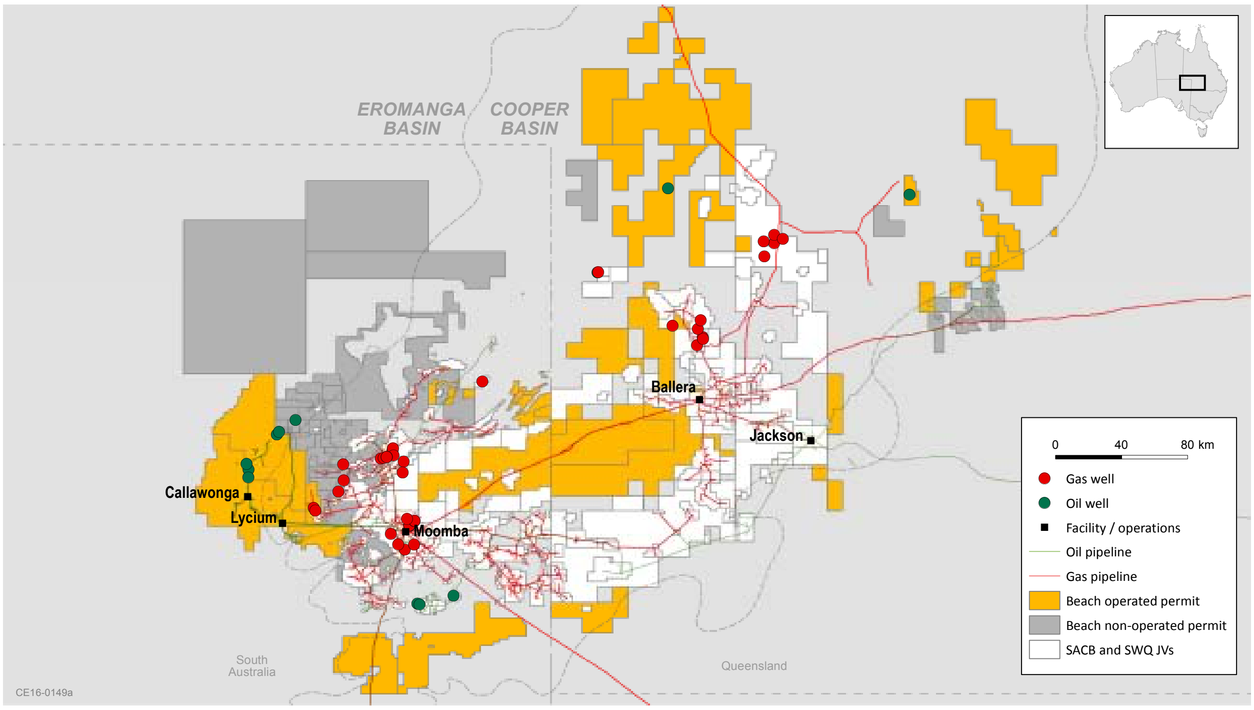
Exploration and development

Beach participated in the drilling of 51 wells, with an overall success rate of 90% and an exploration success rate of 75% from 16 wells. The exploration program included a five-well near-field campaign which redefined the play fairway of the Whanto-1 gas discovery in the Windorah Trough in Queensland. This program delivered five new field discoveries and included pipeline installations and connection of previously stranded fields.

A broad range of field development activities were successfully undertaken, including commissioning of the Stunsail and Pennington production facilities which provided Beach with additional capacity of 40,000 barrels of fluid per day, artificial lift installations utilising latest variable speed technology, and 46 new wells being brought online.

75% exploration success from 16 wells
Overall drilling success rate of **90%** from 51 wells

FY16 wells drilled in the Cooper and Eromanga basins



Drilling summary

	Category	Wells Drilled	Successful Wells	Success Rate
Cooper / Eromanga	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%**

Review of operations

	Number of Wells [1]		Drilling Success Rate		
Year	**Exploration**	**Appraisal**	**Exploration**	**Appraisal**	**Total**
FY04	12	5	17%	60%	30%
FY05	7	8	14%	100%	60%
FY06	11	8	45%	88%	63%
FY07	35	31	34%	81%	56%
FY08	28	34	32%	68%	52%
FY09	14	16	64%	75%	70%
FY10	13	8	31%	88%	53%
FY11	13	4	54%	100%	65%
FY12	32	14	47%	86%	59%
FY13	43	11	60%	82%	64%
FY14	31	13	58%	69%	62%
FY15	21	22	52%	82%	67%
FY16	16	12	75%	92%	82%
Total	**276**	**186**	**47%**	**80%**	**60%**

[1] *Excludes coal seam drilling*

Drilling Stunsail-3

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.

2P reserves		Oil equivalent (MMboe)				Oil	Gas liquids	Gas
(Net)	Note	FY15	Production	Revisions	FY16	(MMbbl)	(MMboe)	(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**

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*

As at 30 June	2P reserves
2004	4
2005	11
2006	36
2007	90
2008	145
2009	66
2010	66
2011	77
2012	93
2013	93
2014	86
2015	74
2016	**70**

	Reserves as at 30 June 2016								
	Developed (MMboe)			Undeveloped (MMboe)			Total (MMboe)		
	1P	2P	3P	1P	2P	3P	1P	2P	3P
Beach Cooper Basin									
Oil	6.7	14.8	28.0	0.1	0.3	0.8	6.8	15.1	28.8
Gas/Gas Liquid	2.9	4.6	7.6	1.3	0.5	0.7	4.3	5.1	8.3
Beach Total	**9.7**	**19.4**	**35.6**	**1.4**	**0.8**	**1.5**	**11.1**	**20.1**	**37.2**
Delhi									
Oil	0.8	3.1	6.4	0.7	2.0	4.7	1.5	5.2	11.1
Gas/Gas Liquid	10.7	31.0	58.9	5.6	10.4	20.4	16.2	41.4	79.3
Delhi Total	**11.5**	**34.1**	**65.3**	**6.3**	**12.4**	**25.1**	**17.8**	**46.5**	**90.4**
Egypt									
North Shadwan	0.1	0.1	0.2	0.2	0.3	0.6	0.2	0.4	0.8
Abu Sennan	0.1	0.3	0.6	0.7	2.3	3.7	0.8	2.7	4.3
Egypt Total	**0.2**	**0.5**	**0.8**	**0.9**	**2.6**	**4.2**	**1.1**	**3.1**	**5.0**
Beach Total	**21.4**	**54.0**	**101.8**	**8.6**	**15.8**	**30.9**	**29.9**	**69.8**	**132.6**

	Contingent Resources as at 30 June 2016				
	Oil (MMbbl)	Gas Liquids (MMboe)	Gas (PJ)	Total Oil Equivalent (MMboe)	Change from FY15 (MMboe)
Beach Operated Conventional	18.9	4.5	59.6	33.6	28.5
Delhi Conventional	5.5	8.3	308.0	66.8	7.8
Total Cooper Conventional	**24.4**	**12.8**	**367.6**	**100.4**	**36.4**
Egypt	0.5	0.0	0.3	0.6	0.0
Gippsland	0.0	0.0	0.0	0.0	(9.7)
Carnarvon	0.2	0.1	2.8	0.8	0.0
Otway	0.0	0.1	3.7	0.7	(0.2)
Browse	0.0	1.4	57.4	11.3	(0.8)
Total Conventional	**25.1**	**14.3**	**431.8**	**113.7**	**25.7**
Beach Unconventional	0.0	0.0	0.0	0.0	(494.9)
Delhi Unconventional	0.0	4.6	505.5	91.5	(2.1)
Total Cooper Unconventional	**0.0**	**4.6**	**505.5**	**91.5**	**(497.0)**
Total Resources	**25.1**	**18.9**	**937.3**	**205.2**	**(471.4)**

Sustainability report

Message from the CEO

Dear Readers,

I am pleased to present Beach's Sustainability Report for FY16. There is no doubt that the sustained low oil price has presented a challenging operating environment for the global oil and gas industry, but it has also created opportunities. Beach's merger with Sydney-based Drillsearch which created a more substantial entity and delivered benefits to shareholders is an example of one such opportunity. This year, we worked on implementing our business strategy and placed an emphasis on growth and maintaining financial strength. We also revised our operating structure and made changes to the business to ensure that we have the most efficient and effective structure to support the strategy, especially in a low oil price environment. The organisational review coupled with low oil price and the merger with Drillsearch resulted in the removal of a number of largely duplicated roles across the merged entity, with most of the redundancies occurring at the Sydney-based Drillsearch office. We have also shifted our focus away from international operations reducing employees and expenditure in that area of the business.

Throughout this period of low oil price, we have continued to maintain our focus on ensuring Beach's values underpin all aspects of how we conduct our business. This is evidenced through the development of a Sustainability Policy which further strengthens our commitment to address material social, environmental and economic risks associated with the business. I am also pleased to report that this year, Beach received a "Leading" rating by the Australian Council of Superannuation Investors (ACSI [1]) for its sustainability reporting and disclosure practices, which is the highest of ACSI's five categories. We also participated in the RobecoSAM [2] assessment, which is a part of the Dow Jones Sustainability Index evaluation and selection process. Our overall performance against sustainability objectives was excellent and we were able to achieve a majority of our objectives as set out in the 2015 Sustainability report.

With an objective to further grow the business, strengthening our health and safety performance remained our top priority. We experienced record safety performance and achieved significant milestones including one million [3] LTI free workhours over a period of nineteen months. Process safety performance remained steady, and work commenced on the development of a process safety framework which aims to identify operational risks and put in place management systems and mitigation measures to reduce the potential for major incidents in Beach's operations.

We continued to support our local communities through sponsorships and employment opportunities. Our host communities are important to us and we will continue to make meaningful contributions to their development during challenging times.

We continued to improve our environmental management systems. Our process safety systems are designed to reduce the likelihood of spills or releases. However, in the event that incidents do occur we have increased our oil spill response training to field personnel and implemented a new oil spill response procedure. Training was also delivered to Beach employees on land disturbance minimisation.

While we have come a long way on our sustainability journey over the last few years, there is still a long way to go and much more to accomplish. Looking forward, we aim to continue our work around developing a sound sustainability strategy. As you read this report, I encourage you to share your thoughts and provide your feedback at sustainability@beachenergy.com.au

Matt Kay
Chief Executive Officer
7 October 2016

[1] *ACSI benchmarks the public disclosure of ASX 200 companies with reference to material environmental, social and governance (ESG) risks. ACSI represents 29 Australian superannuation funds, six international pension funds, which together manage over $1.5 trillion in investments.*

[2] *RobecoSAM is a sustainability investment specialist that assesses sustainability performance of around 3000 global corporations on an annual basis, and along with S&P Dow Jones Indices, makes up the Dow Jones Sustainability Index.*

[3] *Achieved between October 2014 and April 2016*

Contents – Sustainability

About this report

Scope

This report outlines Beach's sustainability performance and covers assets owned and operated by Beach whether in its own right or as operator for a joint venture for the period 1 July 2015 to 30 June 2016. Beach's assets include projects under exploration, development and production phase. People related data included in this report refers to all direct employees (excluding international employees), contractors, and visitors working within Beach operations. Beach reports on Health, Safety and Environment (HSE) information from operations within its control. These activities are covered by Beach's policies on anti-corruption and our Code of Conduct. All monetary amounts reported are in Australian dollars, unless otherwise stated. Our non-operated activities in the Cooper Basin, Egypt and New Zealand are excluded from the scope of this report unless specifically stated. Beach's operated sites are:

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

Our operations

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

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

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

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

- Gathering systems to collect hydrocarbons produced from wells;
- Treatment of hydrocarbons – typically to separate hydrocarbon liquids and gas and remove water or other components from hydrocarbon products;

- Flowlines to transport product and water separated from the hydrocarbons around sites;
- Oil storage facilities;
- Wastewater treatment and handling systems, including water holding ponds and evaporation ponds;
- Administration, utilities and accommodation facilities; and
- Access tracks and roads.

Reporting guidelines

This report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 'Core' reporting guidelines. It focuses on core and supplementary aspects where they present a material significance to sustainability performance and have an impact on stakeholders. A table of GRI indicators relevant to Beach's activities appears later in this report.

Managing sustainability

Governance

Our approach to sustainability is governed by our Sustainability Policy which outlines our commitment to effectively manage our material sustainability risks. Other company policies [1] assist Beach in fulfilling its sustainability commitment. Beach's Board provides oversight of the Company's sustainability management. The Sustainability Steering Committee is a management committee set up to assist in the development of Beach's sustainability strategy, policy and practices. The committee membership includes representation from all business functions and reviews performance against yearly targets set in the Sustainability Report. Further information on the role of the Sustainability Committee and its members is documented in the Sustainability Steering Committee Charter. This document can be viewed on Beach's website under Sustainability at Beach/Corporate governance. In FY16, a Sustainability Policy was developed which can be viewed on our website under Sustainability at Beach.

The diagram below illustrates the elements of Beach's sustainability governance structure.

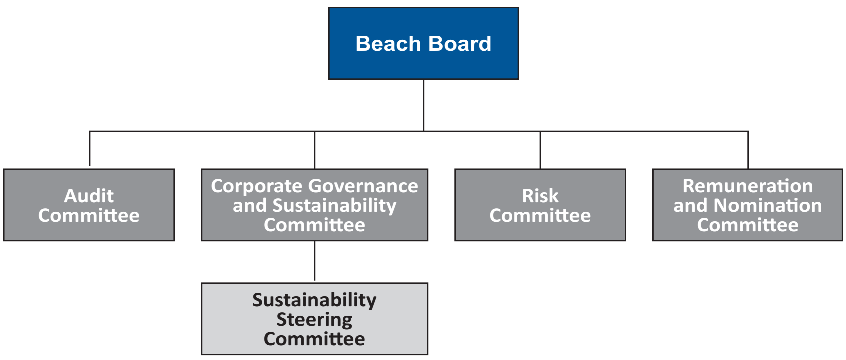
Risk oversight and management

Risk is inherent in Beach's business, so effective risk management is crucial to the long term viability of the Company. The Board and its Risk and Audit Committees provide oversight of sustainability risks and proactively consider and review risks relating to social, economic and environmental issues. Risks to Beach include those associated with maintaining a social license to operate, reputation, health, safety, environment and economic. Detailed discussion of Beach's risk management framework is provided in our 2016 Corporate Governance Statement which can be viewed on our website under Sustainability at Beach/Corporate governance.

Ethical conduct and transparency

Conducting business in an ethical, responsible and transparent manner is a core value. Our Code of Conduct sets out the standards of behaviour that are expected of employees and contractors. The code is supported by policies to prevent bribery and corruption. Beach's Business Practices Policy and Guidelines prohibit bribery in any form and set out clear guidance for the giving or receiving of gifts, third party facilitation and payments to government officials. All prospective agents, intermediaries and business partners are expected to comply with this policy or have their own similar policy. Political contributions or activities are not permitted under this policy other than in very limited circumstances in Australia and where permitted by the law. This is further addressed in our Political Payments and Donations Policy. Facilitation payments for routine activities such as the issue of a permit or a customs clearance are made under Australian law if certain criteria are met.

Employees, contractors and joint venture partners, particularly those outside of Australia are made aware of our approach to anti-bribery and corruption and Beach expects these practices are adhered to. For our international operations Beach requires contract terms with these parties that address facilitation payments and anti-corruption measures. Beach also requires compliance with our Foreign Corrupt Practices Compliance Policy and Business Practices Policy. In joint ventures that are not controlled by Beach, our business partners are required to adopt similar policies and standards to promote ethical behaviour in business.



[1] *Aboriginal Engagement Policy, Health and Safety Policy, Code of Conduct, Foreign Corrupt Practices Compliance Policy, Contracts and Procurement Policy, Environmental Policy, Community and Stakeholder Engagement Policy, Diversity Policy, External Communications Policy, and the Risk Management Policy.*

When required, we conduct policy update awareness sessions for all employees and provide advanced training to employees in positions with higher potential exposure to these risks. Our Code of Conduct and related policies require reporting of suspected misconduct or policy breaches. Employees reporting misconduct are protected by the complaints resolution process and the Whistleblower Policy which ensure confidentiality of the person reporting is maintained. Additionally, an employee making a complaint in good faith in accordance with the Whistleblower Policy will be protected from actual or threatened victimisation or reprisals by a director, officer, employee or contractor, as a result of making a complaint. There is also provision to make an anonymous report. There were no incidents of policy violations relating to bribery or corruption during the financial year.

Our Code of Conduct and related policies are reviewed annually. A suspected breach of policy is reportable under the relevant policy or the Whistleblower Policy and should be reported to the Company Secretary, the Chief Executive Officer or the Chairman. Breaches of the Code of Conduct will be investigated and subject to disciplinary action and where appropriate, termination of employment. Our Code of Conduct can be viewed under Sustainability at Beach/ Corporate governance.

Our supply chain

Beach's supply chain mainly supports its operations in the Cooper/Eromanga basins, which is around 1,000km north of Adelaide. The type of suppliers engaged provide subsurface services to support drilling and petroleum engineering services as well as other services to support ongoing production operations. Our standards require a consistent approach in contracting for goods and services. Key suppliers are actively monitored through our contract management processes including use of key performance indicators to measure supplier performance. A prequalification process assesses suppliers' systems against their management systems including HSE, quality, business integrity and ethics, management of their supply chain and their recruitment practices. Training is provided to suppliers on the prequalification process and also through an online induction process.

In 2015, Beach spent over $150 million across 200 suppliers which ranged from global oilfield companies to local family-owned companies.

Materiality and our focus

During FY15, Beach conducted a materiality assessment which aimed to identify and prioritise sustainability issues that may have significant impact on our licence to operate, on our stakeholders and the communities in which we operate. The materiality process involved:

1. Identification of topics.
2. Interviews with a range of stakeholders.
3. Material issues identification.

As a result of this exercise, ten material sustainability issues were identified and are listed below and addressed further in this report. A number of these issues are strengths and opportunities for Beach, with others being potential risks that are managed to achieve improvement.

Key material issues	Where addressed in this report
Health and Safety - Providing a safe and healthy work environment, and culture for its workforce and contractors, with a focus on process safety	25
Contamination - Management and response to accidental spills including remediation activities	30
Strategy - Appropriately positioning the business in a changing economic and competitive environment	3
Contribution to local communities - Engaging and contributing economically, socially and environmentally to local communities (e.g. providing training, employment and sponsorships, community engagement)	28
Produced water - The management of produced water including the disposal, reuse and quality of produced water from Beach's operations	30
Waste management - Responsibly managing the disposal of operational waste	31
Workforce development and retention - Providing opportunities to maintain and develop workforce skills and competencies, especially during times of uncertainty, to deliver sustainable growth	26
Market volatility - Managing the expectations of stakeholders and maintaining communication during market volatility	32
Operational excellence - Maintaining operational excellence across all operations	32
Ethics and transparency - Ensuring ethical and transparent conduct across all our operations	21

Some of the issues presented above (strategy, operational efficiency and market volatility) represent critical industry and market trends influencing our business and may not have direct relevance to GRI reporting indicators. Some issues such as biodiversity and fracture stimulation were not identified as a material issue but they are addressed in this report as they may be of particular interest to specific stakeholder groups.

Our stakeholders

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

Beach is aware of its responsibilities towards its stakeholders and actively seeks to develop positive relationships for mutual benefit. Relationships are developed by engaging with our stakeholders in many ways, some of which are detailed below.

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

Aspect boundaries

Aspect boundaries refer to the location of impacts for each material issue. Impacts could occur both internally and externally and can vary for different issues. Aspect boundaries for Beach's material issues have been identified below:

Key material issues / aspects	Material impact within the organisation	Material impact outside the organisation
Health and Safety	Yes	Yes - contractors, visitors, regulators
Contamination	Yes	Yes - communities, regulators
Strategy	Yes	Yes - investors, JV partners, communities
Contribution to local communities	Yes	Yes - communities
Produced water	Yes	Yes - communities, regulators
Waste management	Yes	Yes - regulators
Workforce development and retention	Yes	-
Market volatility	Yes	Yes - investors, contractors, suppliers
Operational excellence	Yes	Yes - investors
Ethics and transparency	Yes	Yes - contractors, suppliers, JV partners, regulators

Performance overview

FY16 Our People Outlook	How Beach performed	Status
Deliver Contractor HSE Leadership Programs	Contractor HSE Leadership programs were put on hold for FY16 due to low oil price and subsequent reduction in contractor activity	Not Achieved
Maintain and embed Standards Audit Systems	Standards were implemented through the Site HSE Induction	Ongoing
Implement Fitness for Work policies and procedures	Documentation developed in FY16. Implementation to occur in FY17.	Ongoing
Redesign and rollout of Heat Stress and Permit to Work online modules	Both modules were redesigned. Permit to Work module was launched in May. Heat Stress to be launched in FY17	Achieved
Continue to ensure gender diversity in senior leadership and key decision making roles	As at 30 June 2016: • Gender ratio at Beach was 29% female and 71% male • Ratio of female to male board members was 14% female and 86% male, and • 33% of Key Management Personnel were female	Ongoing
Deliver a mentoring program across all technical disciplines to assist with technical and career development at Beach	Mentoring program was launched across all technical disciplines	Achieved
Upgrade the performance review system to enable alignment and cascading of strategic goals	A new performance review system was implemented and training was provided to all employees	Achieved
Deliver a detailed scope of all components within the Verification of Competency project. Two learning modules, including learning assignments and assessments are to be built by the end of FY16	Detailed scope, project plan and first two modules were completed	Achieved

FY16 Our Communities Outlook	How Beach performed	Status
Fund 4WD training courses for the Wongkumara People and participate in Wongkumara employment subcommittee round table meetings	4WD training was not delivered, however opportunity for training remains open and dialogue with the Wongkumara People continues	Ongoing
Work with the Boonthamurra People in relation to environmental rehabilitation activities	Environmental rehabilitation program involving Beach employees and members of the Boonthamurra People was undertaken	Achieved
Continue participation in the Governor's Aboriginal Employment Industry Clusters Programs (South Australia)	Beach continued to participate in the Governor's Aboriginal Employment Clusters Programs in South Australia	Achieved
Undertake further Dieri cultural heritage awareness sessions for field camps and office	Development commenced of awareness sessions in FY16, with finalisation and rollout to be completed in FY17	Ongoing
Provide financial support to local Aboriginal communities in the Bonaparte Basin towards a cultural healing camp and outstation water bore equipment	The healing camp was completed in FY15 and the water bore was completed in FY16	Achieved

Achieved Ongoing Not Achieved

FY16 Our Environment Outlook	How Beach performed	Status
Conduct oil spill response training and review current procedures	Office and field based training was delivered and new procedure was released	●
Provide appropriate training to contractors to minimise land disturbance	Training was provided to contractors and land disturbance procedure was completed	●
Review existing potable water treatment systems	Potable water treatment system was reviewed and changes implemented to ensure integrity of the system	●
FY16 Economics Outlook	**How Beach performed**	**Status**
Implement a Contracts and Procurement Standard	Contracts and Procurement Standard was implemented with training to be delivered to key users	●
Implement the new SAP accounting system	SAP was implemented	●

● Achieved ○ Ongoing ● Not Achieved

Our People

Our approach

Health and safety

Due to the remoteness and nature of our oil and gas operations, our core area of focus is the health and safety of our field based employees and contractors. Failure to operate safely may cause injuries, fatalities, environmental damage and reputational harm, that could impact on our licence to operate. Our Board approved Health and Safety Policy outlines our approach to health and safety management and is further supported by our core value, "Safety takes precedence in everything we do." The Chief Executive Officer is responsible for this policy's implementation and biennial review To ensure a culture of safety is maintained throughout our operations, Beach regularly conducts workplace health risk assessments, provides 24/7 onsite medical support and maintain an incident reporting system which captures all incidents, including accidents and spills.

Health and safety incidents are recorded and Beach uses a range of industry specific key performance indicators to measure the effectiveness of our health and safety management such as LTI (Lost Time Injury) and TRI (Total Recordable Injuries). Incidents and near misses are reported by field personnel on a Hazard Report Card which then requires a Notification of Incident/Accident Report form to be completed before it is formally reported to the Head Office. In the case of low potential incidents and near misses, corrective actions are placed in the Notification Incident/Accident Report and are registered for tracking and closeout. High potential near miss events are investigated to determine root causes. Knowledge sharing and safety alerts are communicated to employees.

Beach's senior management is responsible for the implementation of the health and safety strategy. Their remuneration is linked to safety performance. Safety data is reported to senior management and communicated to employees on a weekly basis.

Health and safety performance

Beach has a track record of continuous improvement in health and safety performance. This year, the total injury rate was significantly lower than previous years with performance milestones achieved including;

- 1,000,000 [2] workhours LTI free for Beach employees and contractors;
- Twenty one months without an LTI for our contractors.

No fatalities were recorded in FY16.

Additional performance data is located on page 34.

[2] *Achieved between October 2014 and April 2016*

Health and safety systems and processes

The core focus areas for health and safety during FY16 included ensuring the implementation and communication of Health and Safety Standards and online inductions. Additionally, each department is now setting its own health and safety plans to address specific risks and set appropriate objectives to address those risks on an annual basis. Our mission is to achieve a sustainable healthy workplace, minimise the footprint on the environment and achieve safe outcomes in all operations.

Process safety

In addition to personal safety, Beach recognises the importance of managing potential major accident events. Beach deals with the prevention and control of such incidents by assessing hazards and risks, ensuring application of good design in all facility infrastructure, employing robust operating and maintenance practices, and ensuring asset integrity. This financial year, we commenced the development of a process safety framework with the aim to build on current processes used to mitigate potential operational incidents.
The framework will address following areas:

- Ensuring mitigating measures are clearly understood by relevant personnel;
- Accountabilities for implementation and monitoring of mitigating measures are clear;
- Performance of mitigating measures are monitored at appropriate intervals; and
- Information for senior managers and the Board on the health of mitigating measures is regularly and reliably produced.

A process safety committee will oversee the implementation of the process safety framework.

Workforce Development and Retention

Our management approach

Beach's success and the delivery of our strategic goals depend on employees having the necessary skills and capabilities to undertake their responsibilities. A number of talent management initiatives have been implemented to ensure we have the right people in the positions. We continue to measure progress and overall outcomes of these initiatives through regular surveys, focus groups, performance reviews and training to improve employee competency. Refer to the Performance Data Table on page 35 for an overview of key metrics.

Technical competency review

We undertook a survey and calibration review of the existing skill levels within the organisation during FY16 to understand the technical competencies required to deliver our strategy. This has informed a specific technical training curriculum that is sustainable in the low oil price environment and which will ensure Beach continues to invest in the development of employees.

Case study – Technical mentoring program

A mentoring program was launched to capitalise on the existing expertise of our experienced technical professionals to assist in the technical and career development of our emerging talent at Beach. There was significant uptake in this program with over 87% of our technical employees participating as mentors, mentees or both.

"The mentoring program gave me the opportunity to seek one-on-one technical and professional guidance from a highly experienced colleague in another department. It provided the appropriate platform to discuss any concerns or goals and prompted me to enquire about career development opportunities within Beach which resulted in a rotation into the oil team the following year. It's fantastic to have another role-model within the company that I can seek advice from."
Sian Stark, Reservoir Engineer

Beach staff involved in the technical mentoring program

Verification of competency (VOC) in field operations

VOC was implemented to ensure our operations personnel can demonstrate the knowledge and skill to competently and safely carry out their roles. This includes routine operations together with carrying out troubleshooting and implementing remedial action.

The program will initially develop the training and assessment materials covering nine 'operational competency areas' in the oil operations. VOC will continue to be progressively implemented in our field operations as material is finalised.

Delivering on performance

As an outcome of the refreshed Beach strategy, corporate goals were clearly defined and accountabilities assigned to relevant senior management. A new performance platform is being utilised which enabled goals to be delegated with specific role-based deliverables assigned to employees. The platform provides increased transparency and tracking of goals, thus driving accountability. Further, we have customised and implemented a series of performance modules to train leaders to effectively manage performance and provide feedback using a case study approach. In addition, company performance metrics are tracked on a quarterly basis.

Health and wellbeing

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

Callawonga gym

Equity and diversity

Policies are in place to ensure all employees are treated fairly and have access to equal opportunities in the workplace. These include, the Diversity, Equal Opportunity and Wellbeing and Employee Health Policies.

Key principles of Beach's Diversity Policy include:

- Recruiting on the basis of skills, qualifications, abilities and achievements;
- Encouraging personal and professional development to employees to benefit Beach and the individual;
- Aiming to be an employer of choice and to provide a family friendly work environment; and
- Establishing measurable objectives for achieving gender diversity.

Refer to the performance data beginning on page 34 for additional workforce information and our 2016 Corporate Governance Statement on our website at Sustainability under Beach/Corporate governance.

As at 30 June 2016, Beach had a gender ratio of 71:29 males to females. As limited recruitment occurred in FY16, other avenues were explored to encourage growth in female representation and participation, including:

- Membership with Women in Boards, Diversity Council of Australia and Women In Resources South Australia (WIRSA);
- Maintaining contact with employees on maternity leave, resulting in 100% of our employees returning from maternity leave in FY16 with flexible working arrangements in place; and
- Supporting students through our participation in high school work experience programs, undergraduate internships and the Geoscientist Assistance Program. In FY16, fifty percent of work experience students were female.

Looking ahead

Beach plans to:

- Continue the review and implementation of Fitness for Work policies and procedures;
- Continue to develop a process safety framework and carry out a pilot project for this framework at a gas facility;
- Provide training to managers and leaders to drive a high performance and accountability culture by:
  - Continuing to implement performance review processes and embed a new rating scale across the business
  - Providing high performance culture training to our Executive team;
- Ensure Beach plans for and develops employees so that we have the right skills and experience to deliver upon our strategy by:
  - Identifying critical roles, plan succession and tailor strategies to bridge gaps
  - Delivering high talent succession plans and connect with development opportunities
  - Delivering specific and customised technical development as aligned to our competency requirements;
- Develop and implement a formal "Welcome Back" program for women returning from maternity leave; and
- Develop a formal policy on flexible working practice.

Our Communities

Our approach

Contribution to local communities

Beach's long-term sustainability is contingent upon maintaining strong and effective relationships with the communities in which we operate. For example, our long held operations in the Cooper Basin are underpinned by strong partnerships with our landholders and the communities in which we operate. Across all of our operations, this is and will continue to be demonstrated by being:

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

It is important to us that we acknowledge the environmental, social and financial implications of our operations on our host communities and work with them to make an overall positive contribution. Over the years, we have carried out initiatives and created various opportunities for the development of communities in which we operate. We value the feedback we receive from our community stakeholder groups and actively seek opportunities to engage with them through road shows, regular meetings, information sessions and community events.

Our Community and Stakeholder Policy, along with our Aboriginal Engagement Policy outline our approach towards community engagement and management. Additionally in FY17, we aim to further develop our internal processes for receiving, investigating and responding to questions or feedback from community stakeholders. Both policies can be viewed on Beach's website under Sustainability at Beach/Our communities.

Cultural heritage management

We recognise and respect the cultural, historical and spiritual connection Aboriginal people have with their country. Knowledge and training ensures that cultural heritage awareness is elevated amongst our employees and contractors. Prior to the commencement of our projects, Beach, in consultation with the traditional owners, undertakes a cultural heritage management process to identify areas of cultural significance for protection during Beach activities. This assessment enables our operations to avoid impacts on culturally sensitive areas.

Aboriginal participation

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

We are committed to fostering and maintaining positive relationships with the Aboriginal communities where we operate. Where possible, we provide traditional owners with opportunities to participate in training and employment programs and sponsorship of community led programs.

Case study – Yandruwandha Yawarrawarrka People - Native Title consent determination

In December 2015, beside Cullyamurra Waterhole east of Innamincka, the Yandruwandha Yawarrawarrka people's native title rights were formally recognised in an on country sitting of the Federal Court of Australia. This native title consent determination is recognition under Australian law that the Yandruwandha Yawarrawarrka people are and always were since time immemorial, the traditional custodians of this far north east area of South Australia.

Beach was proud to support South Australia Native Title Services (SANTS) and the Yandruwandha Yawarrawarrka people, by providing medical emergency services for this event. This included preparation of an emergency plan document, awareness of land transportation hazards and an Industrial Medic Services (IMS) emergency nurse and ambulance.

This support was important to ensure the safety of over two hundred attendees during the three day event, including elderly people and children who would converge on this remote part of the Cooper Basin during hot conditions.

Cullyamurra Waterhole, South Australia

Aboriginal engagement

We are committed to engaging in meaningful, open and honest consultation with Aboriginal communities that may be affected by our operations. Whilst disputes are rare, Aboriginal communities have access to formal grievance processes documented within their cultural heritage agreements with Beach. Beach takes all concerns raised, whether they are formal or informal, very seriously and responds promptly.

Community investment

Our values are underpinned by our community sponsorship program extending from South Australia to Tanzania. We continued to support local communities and priority areas through sponsorships in FY16 with funds allocated across the following priority areas:

- Community (36%);
- Environment and conservation (14%);
- Aboriginal (12%);
- Health and wellbeing (5%);
- Arts and culture (9%);
- Youth, education and science (17%); and
- Industry (7%).

The majority of Beach's investment in sponsorship is directed toward supporting communities. The regional communities that surround the Cooper and Eromanga Basin's typically do not have access to a wide range of medical support, especially during emergency situations. Beach's long standing support of the Royal Flying Doctor Service (RFDS) provides direct assistance to these rural and remote areas of South Australia. The RFDS provides 24-hour aeromedical emergency services to communities, as well as the provision of fly-in-fly-out GP and nurse clinics, mobile dental services, tele-health and other health services. Our sponsorship directly supports the provision of aircraft replacement and medical equipment to deliver these essential health services. In additional to the provision of sponsorships, this year Beach's employees volunteered their time to collect and sell recyclable waste items and surplus furniture. Cans, bottles, cardboard, scrap steel, batteries, copper wire, as well as surplus furniture were recycled and sold. Through their efforts, employees raised over $14,000 which was donated to the RFDS and Variety - the children's charity.

Looking ahead

Beach plans to:

- Further improve internal processes to manage community feedback; and
- Develop and deliver culture heritage and awareness training sessions for employees.

Our Environment

Our approach

As an oil and gas explorer and producer, we recognise our responsibility to understand and respect the environment we operate in, to minimise our impact, and remediate areas affected by past activities. Our Board approved Environmental Policy outlines our approach to operating in an environmentally responsible manner. The Chief Executive Officer is responsible for ensuring implementation of the policy and its periodic review. The environmental aspects of our operations are governed by strict regulations which are integrated into our operational procedures. These procedures are driven by environmental management plans that are a legislative requirement of all petroleum exploration and development activities in Australia. Beach's Health, Safety and Environmental Management Systems (HSEMS) and Production Operations Manuals (POM) provide the framework within which our environmental responsibilities are managed. In South Australia, Beach is required to submit an Environmental Impact Report (EIR) for all operations which contains sufficient information to make possible an informed assessment of the likely impact of the activities on the environment. Each EIR is accompanied by a Statement of Environmental Objectives report which outlines the environmental objectives that the regulated activity is required to achieve and the criteria upon which the objectives are to be assessed.

We assess the environment and potential impacts of our activities prior to the commencement of a project and regularly engage with relevant stakeholders, including landholders and local government agencies, to ensure our activities are open and transparent.

Similar to health and safety incidents, all environmental incidents and near misses are recorded and reported through the Beach incident reporting system. A range of industry specific key performance indicators such as number and volume of spills, number and value of regulatory fines, and greenhouse gas emissions numbers are used to measure the effectiveness of our environmental management.

In FY16, we undertook the following environmental initiatives:

- Delivered an oil spill response training program to field personnel and released a new oil spill response procedure;
- Delivered training to employees on minimising land disturbance and released a new land disturbance procedure;
- Reviewed existing potable water treatment systems and implemented appropriate changes to ensure integrity of the systems. In addition to this, numerous potable water procedures were consolidated under one production operating procedure; and
- Commenced a GIS based project to digitally capture our environmental footprint.

Managing produced water

Produced water is water that is brought to the surface along with oil and gas during production activities. Depending on the geographic location of the field, the physical and chemical properties of produced water can vary considerably and may contain high mineral or salt content. We recognise that responsible water usage and continuous improvement in water management is important for our business, communities and the environment.

Produced water quality

Source	TDS (mg/l)
Produced water in Western Flank	1,393 [3]
Livestock tolerance to dissolved salts in drinking water	5,000 [4]
Rainwater	< 20
Seawater	> 35,000

Produced water undergoes a two-step separation process which begins in the separator tanks where the majority of oil is separated from water. This water then goes into a lined interceptor pond, which acts as a buffer, to ensure the remaining hydrocarbons are retained and not carried over to evaporation ponds designed to evaporate water naturally. Evaporation ponds are an important source of water for livestock in the Cooper Basin, which has limited water availability as a result of the area's remoteness and arid conditions. Water quality in the evaporation ponds is monitored to ensure it meets regulatory standards and is suitable for livestock and wildlife.

Where possible, produced water is reused for facility and road construction as well as for drilling activities. Other options for reuse continue to be considered.

FY16's total produced water production was 10.7 million cubic meters. Refer to the performance data beginning on page 36 for additional information on produced water.

[3] *Average total dissolved solids in Western Flank produced water*

[4] *Maximum concentration of total dissolved solids in drinking water for healthy livestock as per the Australian and New Zealand Guidelines for Fresh and Marine Animals*

Contamination

Accidental loss of liquid containment is a key risk due to the potential consequences for the environment, our employees, assets and local communities. A range of measures have been put in place to ensure process safety and appropriate management of accidental leaks and spills if they occur, including:

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

We monitor our activities to ensure compliance with relevant petroleum and environmental legislation, Australian Standards and codes of practice. All incidents, including spills are reported in Beach's incident reporting database which records spills by type, volume, duration, cause, as well as corrective actions taken to address the incident. In the event of a spill, Beach ensures the spill is contained, reported, cleaned-up and contaminated soil is remediated. Active remediation methods are implemented where it is determined that contamination is spreading or the level of contamination is not decreasing. Groundwater monitoring bores are installed where there is potential risk to groundwater, in order to monitor and measure any potential underground water contamination and movement. All groundwater monitoring bores installed at Beach oil facilities are monitored on an annual basis. This year Beach installed nine water monitoring bores in the Western Flank.

In FY16, Beach developed and delivered an oil spill response training package to specific head office and field employees. Training will be delivered to field employees on an ongoing basis in future.

The main intentions of the operator spill response training were to:

- Learn from past incidents;
- Reinforce the costs and consequences of spills with field operators;
- Provide background information on how different products such as diesel and crude behave in different soil types;
- Provide a step-by-step scenario to formalise operator spill response process; and
- Detail a new process to streamline communication between field and head office employees in the event of a spill.

This year, we also experienced a significant reduction in total number and volume of spills across our operations. None of the spills were of significant environmental impact and all sites were remediated. No environmental fines or penalties were issued in relation to loss of containment.

Refer to the performance data beginning on page 36 for information on loss of containment.

Waste management

Beach aims to reduce its impact on the environment by keeping waste generation to a minimum and ensuring all waste material is disposed of in an appropriate manner. Licenced contractors are used and records maintained for any hazardous waste disposal. Beach continues its waste recycling process that has all office waste sorted for recycling and all biodegradable waste becoming composted and re-used. Only a very small percentage goes to landfill.

Oil slops is a bi-product of oil production which is collected and disposed of at a licensed waste depot. In FY17, Beach will continue to review chemical options to reduce the volume of oil slop produced and investigate disposal options to minimise the volume of slops going to landfill.

Climate change and GHG emissions

Beach recognises climate change as a global challenge. As a member of the oil and gas industry, we have a significant role to play in managing our carbon emissions and have put production procedures in place to minimise the incidence of uncontrolled and controlled atmospheric emissions. At some of our facilities, we have installed solar powered telemetry units, which allow field operators to remotely monitor and capture data on the status of equipment from a central location, thereby reducing vehicle traffic and engine emissions.

We monitor and report greenhouse gas emissions associated with our activities through the National Greenhouse and Energy Reporting Scheme. In FY16, greenhouse gas emissions for all operated Beach facilities was 41,495 tonnes of CO_2^{-e}. We also report under the National Pollutant Inventory, which is publicly available on the Australian Government, Department of the Environment and Energy website. Detailed data for FY15 reporting period is available at www.npi.gov.au.

Biodiversity

Beach has strict environmental controls in place to minimise the impact of our exploration and production activities on the environment. Rehabilitation requirements are assessed prior to the commencement of each project. Field supervisors are continually monitoring performance to ensure works undertaken comply with these requirements. Where required, we also engage external consultants to audit rehabilitation performance and each site is progressively audited over a period of time. Prior to the start of any activity, the EPBC [5] online database is used to identify any native flora and fauna of national significance that may be present at the site.

In addition to protecting native plants and animals from the potential impacts of our activities, Beach takes measures to prevent the introduction of pest plant species in the Cooper Basin. The Western Flank of the Cooper Basin is one of the very few locations in South Australia that is currently free of invasive weeds such as Buffel Grass. Beach employees and contractors consider the potential introduction or spread of invasive plants during the planning phase of projects to ensure that appropriate prevention measures (e.g. wash-down of equipment and vehicles) are implemented. Beach's weed management and control guidelines provide information on the type of weeds in the Cooper Basin and appropriate management measures.

In South Australia, Beach is required to undertake environmental offsets which are achieved through offsetting a designated area of environmental significance or by payment into the Native Vegetation Fund. In FY16, we fulfilled our SEB [6] obligations by contributing to projects undertaken by the Nature Foundation SA and Operation Flinders. Land area offset depends on the size of the area that was disturbed as a result of our activities and therefore varies each year. Total land area offset in FY16 was 647 hectares.

[5] *Environmental Protection and Biodiversity Conservation*
[6] *Significant Environmental Benefits*

Case study - Boonthamurra People and Beach environmental rehabilitation project

During the year an environmental rehabilitation project involving Beach employees and members of the Boonthamurra group was undertaken. The team worked for eight days restoring old seismic lines from 1980 - 90's in ATP 269 in South West Queensland. This involved spreading cleared timber back onto the lines and the installation of over 1800 sand bags. The timber discourages cattle track thoroughfares and the sand bags stabilise the banks and enable vegetation growth by slowing the water flow and trapping debris and seeds. Projects like these expose younger Aboriginal participants to the oil and gas industry, provide valuable field experience and enable cultural heritage knowledge from Elders to be passed down to the next generation.

A consequence of conventional buried pipeline construction is the potential entrapment of small animals in open trenches. To avoid unnecessary mortality, we engage trained and qualified fauna handlers to rescue small animals such as frogs and reptiles that fall into and get trapped in open flowline trenches. A total of 13 different species were rescued this year. In addition to this, we worked on improving our earthworks management systems and developed a new rehabilitation procedure.

To further understand our impact on the environment Beach has commenced a project which will digitally capture our operational footprint in the Western Flank by:

- Locating and monitoring infrastructure, including borrow pits;
- Tracking the area of disturbance;
- Fulfilling the SEB obligations under the Native Vegetation Act;
- Assessing, planning and tracking rehabilitation works;
- Planning environmental monitoring programs; and
- Providing accurate data on environmental disturbance for the development of a long term rehabilitation strategy.

Hydraulic fracture stimulation

Certain petroleum reservoirs that are difficult to access require the use of a process known as fracture stimulation. Fracture stimulation increases the flow of oil or natural gas from a well by pumping hydraulic fracturing fluid (typically 99% water and sand) down a completed well at high pressure. The pressure creates cracks and sand keeps them open, increasing the flow of oil and gas through the reservoir into the well. Once the fracture stimulation is completed, the fracture stimulation fluid flows back out of the well into temporary lined ponds. It is treated to meet stringent environmental standards and either disposed of or evaporated. Two wells underwent the fracture stimulation process in FY16. The process is highly regulated and Beach continues to apply best practice.

To further learn about this process, refer to the Fracture Stimulation document available under Our Business/ Information Centre.

Looking ahead

Beach plans to:

- Document our operational footprint in the Western Flank;
- Develop a long term rehabilitation strategy for the Western Flank; and
- Review strategies to manage oil slops.

Economics

Our approach

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

Our vision is to be Australia's premier multi-basin upstream oil and gas company. Our strategy is to:

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

While market conditions in FY16 continued to be challenging, Beach has maintained a strong financial position despite significantly lower oil prices. Our financial year results demonstrate the robust nature of our low cost Western Flank operations, our diligent focus on reducing costs across the business, and our rigorous approach to capital allocation.

Market volatility

The collapse in the global oil prices has led to a significant reduction in the revenue and profitability of oil and gas companies. Beach's response to market volatility focuses on improving efficiencies, monitoring costs, managing stakeholder expectations, and exploring opportunities for maximising revenue. In FY16 we continued to focus on the reduction of operational costs while ensuring timely delivery of projects. Full year capital expenditure was $184 million, down 56% from the previous year. Throughout the year, we continually reviewed our capital allocation to ensure the discretionary expenditure was limited to operations that would deliver the highest return on investment.

We will continue to focus on effectively managing capital spend, improving efficiency and implementing our strategy to ensure we are well positioned to take advantage of any potential commodity price increases.

Operational excellence

Beach continues to demonstrate operational excellence through improvements in health and safety performance and systems, ongoing employee training, development of a supplier management system, and identifying ways to improve contractor efficiency. We have reviewed and refined our systems as a way of driving fundamental improvements in how we conduct our operations.

This year, we established a private Beach 4G communications network in the Cooper Basin consisting of a 60 meter base station tower and a smaller COW (cell on wheels) which can move as operations require. This system will improve safety, efficiency and productivity, and is expected to be cost effective.

Case study – Chiton-3 beam pump installation

Chiton-3 beam pump

The Chiton-3 well was initially brought online as a free flow McKinlay oil producer. However, due to a long flow-line to the facility, the well struggled to free-flow. Additionally, during the colder months, the flow-line would wax up and the well would cease to flow. Recognising this issue, Chiton-3 was selected as a candidate for a beam pump installation. Beach has a Design and Construct Procedure (DCP) and a standardised engineering package which when utilised for this type of project significantly improved the efficiency of the engineering and design process, and removed the need for external electrical and instrumentation engineering. This approach considerably reduced the cost and duration for the project. Additional labour cost savings were achieved through the wellhead pipework modifications, hydro-testing, and construction of the beam pump being performed by employees rather than contractors. Overall this resulted in a successful project and achieved savings of approximately $150,000 when compared with similar projects. Since coming online, Chiton-3 is expected to be a significant contributor to ex PEL 91 oil production in the coming year.

Case study – Drag Reduction Additive - Improving efficiency, reducing emissions

This year, we introduced a new production chemical to improve the efficiency of our existing pipelines and reduce associated energy consumption. Drag Reducing Agent (DRA) is a long chain synthetic polymer suspended in a vegetable oil. Using few parts per million, DRA is injected into the pipelines to reduce turbulence inside the pipe resulting in significant frictional pressure drop, or drag reduction. The benefits are lower energy for pipeline pumping, lower fuel consumption and reduced environmental emissions. Other benefits include higher pipeline capacity and reduced use of crude trucking, lower road maintenance and elimination of capital expansion to increase pipeline capacity, reducing environmental footprint. DRA was trialled on the Lycium to Moomba pipeline for six months. Data below demonstrates how the use of DRA has improved efficiency. Here DRA was injected at a rate of 6 ppm with flowrate held constant at 18,000 bpd.

	Baseline – no DRA	DRA at 6 ppm	Difference
Pump pressure	3,700 kPag	1,890 kPag	-49%
Pump power	212.5 kW	116 kW	-46%
Fuel use	1,698 litre	974 litre	-43%
DRA chemical	-	16 litre/day	-
Maximum flow	21,700 bpd	24,000 bpd [7]	+ 11%

[7] *Constrained by operating envelope of shipping pump. 30,000 bpd (+ 38%) possible with reconfigured pump.*

Local content

Our main operations are in the Cooper Basin in South Australia and Queensland. Providing work to local contractors and supporting local economies is one way Beach demonstrates its commitment to communities in which it operates. Where practical, Beach contracts locally owned businesses as a way of supporting the growth of local communities and small to medium enterprises. Over the years, a number of small enterprises have benefited from the oil and gas operations, providing employment and thriving on opportunities in the Cooper Basin.

Accounting system

During the year, the SAP system was implemented in order to streamline financial processes and assist in cost control. Further work will continue during FY17 to develop and refine the reporting and cost control processes.

Looking ahead

Beach plans to:

- Further develop and refine the reporting and cost control processes.

Performance Data

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

Our People

	FY16	FY15	FY14
Health and Safety			
LTI- Beach	1	1	1
LTI- Contractors	0	1	4
LTIFR- Beach	2.9	3.0	3.4
LTIFR- Contractors	0	1.6	5
Work hours- Beach	333,417	335,348	293,263
Work hours- Contractors	187,034	626,502	795,637
Fatalities	0	0	0
TRI- Beach	1	2	NR
TRI- Contractors	1	13	NR
TRIFR- Beach	2.9	5.9	NR
TRIFR- Contractors	5.3	NR	NR
Tier 1 Process Safety Events	0	0	NR
Tier 2 Process Safety Events	0	0	NR
Total number of employees (8)	214	235	208
% Gender split (M:F)	71 : 29	69 : 31	70 : 30
% Full time: Part time : Casual	89 : 11 : 0	89 : 10 : 1	88 : 10 : 2
% Total Employee turnover	14.02	3.15	4.62
% Total non-voluntary turnover (9)	5.14	NR	NR
% Employee turnover (M:F)	7.01 : 7.01	1.80 : 1.35	NR
% Employee hire (M:F)	1.87 : 1.40		
% Employees in permanent full-time roles (M:F)	77 : 23	75 : 25	NR
% Employees in permanent part time roles (M:F)	18 : 82	26 : 74	NR
% Employees in fixed term contracts (M:F)	50 : 50	33 : 67	NR
% Employees as casuals (M:F)	0 : 0	33 : 67	NR
Employees by WGEA (10) category			
% Board (M:F)	86 : 14	67 : 33	NR
% CEO (M:F)	100 : 0	100 : 0	NR
% KMP (11) (M:F)	67 : 33	71 : 29	NR
% Senior Managers (M:F)	75 : 25	75 : 25	NR

(8) *As at 30 June 2016 and excludes International employees, but includes directors*
(9) *Those subject to employer initiated termination, redundancy or contracts not being renewed*
(10) *WGEA : Workplace Gender Equality Agency*
(11) *KMP : Key Management Personnel*

Our People continued

	FY16	FY15	FY14
Employees by WGEA [10] category continued			
% Other Managers (M:F)	70 : 30	68 : 32	NR
% Professionals (M:F)	72 : 28	71 : 29	NR
% Technicians and Trade (M:F)	89 : 11	90 : 10	NR
% Labourers (M:F)	100 : 0	100 : 0	NR
% Clerical and Administration (M:F)	10 : 90	10 : 90	NR
% Employees aged under 29 (M:F)	74 : 26	59 : 41	NR
% Employees aged between 30-49 (M:F)	66 : 34	66 : 34	NR
% Employees aged above 50 (M:F)	80 : 20	79 : 21	NR
Total workforce by location (M:F)- SA	143 : 62	149 : 73	NR
Total workforce by location (M:F)- Qld	9 : 0	12 : 1	NR
Number of employees entitled to maternity leave	60	60	NR
Number of employees who took maternity leave	5	4	NR
Number of employees whose maternity leave ended [12]	3	1	NR
Number of employees who returned after maternity leave	3	1	NR
% Employees by tenure length of < 5 years (M:F)	68 : 32	66 : 34	NR
% Employees by tenure length of 5-9 years (M:F)	77 : 23	75 : 25	NR
% Employees by tenure length of 10-19 years (M:F)	72 : 28	71 : 29	NR
% Employees by tenure length of 20+ years (M:F)	100 : 0	100 : 0	NR
Training Data			
Total training hours	4360.5	9443.45	NR
Average number of training hours per employee	20.76	40.88	NR
Number of training attendances [13]	723	1087	NR
Average hours per person of training during reporting period by gender and employee category			
Gender (M:F)	6.09 : 5.92	NR	NR
Senior Management [14]	2.56	4.77	NR
Middle Management	5.72	7.68	NR
Other employees	6.20	9.45	NR

Our Communities

Sponsorships			
Total expenditure ($ million)	0.25	1.4	1.4

[12] *Three employees retuned to work from maternity leave in FY16 and two others who commenced leave remain on maternity leave as at 30 June 2016*

[13] *An attendance refers to a Training Course. Employees may attend multiple training courses over the financial year*

[14] *Senior management includes all Executives and General Managers*

Our Environment

	FY16	FY15	FY14
Spills			
Total spills	23	36	22
Total number of uncontained [15] spills	3	NR	NR
Volume of hydrocarbon spills (bbl)	61	368	79
Volume of non-hydrocarbon spills (bbl)	115	26,197	1,279
Total volume of spills (bbl)	176	26,565	1,358
Fines			
Number of fines for non-compliance with environmental regulations	0	0	0
Value of fines ($)	0	0	0
Greenhouse Gas Emissions			
Scope 1 emissions (tCO_2-e)	40,917	51,835	62,696
Scope 2 emissions (tCO_2-e)	578	354	614
Total GHG emissions (tCO_2-e)	41,495	52,189	63,310
Net Energy consumption (GJ)	330,486	354,152	446,972
Volume of flared hydrocarbons (sm^3)	718, 699	3,550,233	3,999,900
Volume of vented hydrocarbons (sm^3)	458	197,918	NR
Scope 1 emissions intensity (kg CO_2-e/GJ Production)	1.11	1.37	1.38
National Pollutant Inventory (kg) [16]			
Carbon monoxide	NR	128,600	117,000 (122,000) [17]
Fluoride compounds	NR	32,700	19,400 (27,500)
Hexane	NR	82,426	71,000 (71,852)
Oxides of Nitrogen (NOx)	NR	574,000	493,000 (543,000)
Particulate matter <2.5um	NR	39,700	28,700 (37,100)
Particulate matter <10.0 um	NR	41,200	87,300 (52,300)
Polycyclic aromatic hydrocarbons	NR	140	5.86
Sulphur dioxide (SOx)	NR	136	131
Total Volatile Organic Compounds	NR	1,183,880	1,129,700 (1,048,470)
Emissions to Air	NR	2,058,951	1,926,921 (1,883,403)
Emissions to Land	NR	87,407	19,481 (87,962)
Emissions to Water	NR	0	0.01 (0)
Produced Water Production (million cubic metres)			
South Australia	8.88	7.81	6.85
Queensland	1.84	1.77	1.56
Total	10.72	9.58	8.41

[15] *Occurred outside the bunded area*

[16] *Overall increase in pollutant volumes is due to reporting of additional facilities and update of NPI calculator in FY15. NPI data is available for viewing at http://npi.gov.au/npi-data/search-npi-data. NPI data for FY16 will be reported in FY17 Sustainability Report.*

[17] *Correction: Revised numbers in brackets post NPI audit and update of NPI tool*

Economic Performance

	FY16	FY15	FY14
Realised oil price ($)	60/bbl	90/bbl	126/bbl
Product sales revenue ($ million)	558.0	727.7	1,052.1
NPAT ($ million)	(588.8)	(514.1)	101.8
Total assets ($ million)	1,626	1,836	2,591
Net cash ($ million)	49	20	261
Total equity (shareholder funds) ($ million)	1,075	1,355	1,871
Market cap ($ million)	1,135	1,356	2,171
Reserves (2P) (MMboe)	70	74.4	85.6
Production (MMboe)	9.7	9.15	9.6
Exploration wells drilled [18]	14	21	32
Exploration expenditure ($ million)	35	131	195
Royalties and taxes ($ million)	49.6 [19]	60.8	144.8

[18] *This figure does not include two wells drilled in Egypt*
[19] *This includes royalties paid to State governments, over-riding royalties and income tax payable*

GRI Content Index - General Standard Disclosures

General Standard Disclosures	Disclosure Title	Page Number (or link)
Strategy and Analysis		
G4-1	CEO Letter	Message from CEO, p.19
Organisational Profile		
G4-3	Name of Organisation	Annual Report – Cover page
G4-4	Primary brands, products and services	Annual Report – About Beach Energy, p.2
G4-5	Headquarters location	Company website – About Beach - Introduction to Beach
G4-6	Areas of operations	Annual Report – About Beach Energy, p.2
G4-7	Nature of ownership and legal form	Annual Report – Cover page and p.88
G4-8	Markets served	Annual Report – About Beach Energy, p.2
G4-9	Scale of organisation	Sustainability Report – Performance data, p.34-37
G4-10	Total employees by type	Sustainability Report – Performance data, p.34
G4-11	Employees covered by collective bargaining agreements	Currently, there are no Beach employees covered by collective bargaining agreements
G4-12	Description of Supply Chain	Sustainability Report, Our Supply Chain, p.22
G4-13	Organisational changes during FY16	Annual Report – Chairman's Letter, p.6 and Sustainability Report – Message from CEO, p.19

GRI Content Index - General Standard Disclosures continued

Specific Standard Disclosures	Disclosure Title	Page Number (or link)
Organisational Profile continued		
G4-14	Precautionary principle	Issues relating to the precautionary approach or principle are considered through our Risk Management Framework which guides managers and decision makers within the business to assess current and future risks and opportunities.
G4-15	Endorsement of externally developed economic, social and environmental charters or principles	Beach is not currently endorsing any externally developed economic, social and environmental charters or principles.
G4-16	Memberships of associations	Beach is a member of the South Australian Chamber of Mines and Energy (SACOME) as well as Australian Petroleum and Exploration Association (APPEA).
Identified Material Aspects and Boundaries		
G4-17	Entities included in financial statements	Annual Report, p.88
G4-18	Process for defining report content and aspect boundaries	Sustainability Report, Materiality and our focus, p.22
G4-19	Identified Material Aspects	Sustainability Report, Materiality and our focus, p.22
G4-20	Description of material aspect boundaries within the organisation	Sustainability Report, Aspect Boundaries, p.23
G4-21	Description of material aspect boundaries outside the organisation	Sustainability Report, Aspect Boundaries, p.23
G4-22	Restatements	See Footnote 17
G4-23	Significant changes in scope and aspect boundaries	No
Stakeholder Engagement		
G4-24	List of stakeholders engaged	Sustainability Report – How we engage with our stakeholders, p.23
G4-25	Identification and selection of stakeholders	Various Beach stakeholders were identified during one of our internal workshops which involved input from sustainability committee members
G4-26	Approach to stakeholder engagement	Sustainability Report – How we engage with our stakeholders, p.23
G4-27	Key topics and concerns raised	Sustainability Report – Materiality and our Focus, p.22
Report Profile		
G4-28	Reporting period	1 July 2015 – 30 June 2016
G4-29	Date of most recent previous report	The most recent report covered the reporting period 1 July 2014 – 30 June 2015.
G4-30	Reporting cycle	Annual
G4-31	Contact point	sustainability@beachenergy.com.au
G4-32	In accordance option	Sustainability Report, p.21
G4-33	Policy regarding external assurance	Although our financial data is subject to external assurance, we have not obtained assurance over non-financial data. However, we seek to obtain independent assurance in the future as our reporting systems and processes mature.

GRI Content Index - General Standard Disclosures continued

Specific Standard Disclosures	Disclosure Title	Page Number (or link)
Governance		
G4-34	Governance structure	Sustainability Report- Governance, p.21
Ethics and Integrity		
G-56	Code of Conduct	Sustainability Report – Ethical conduct and transparency, p.21

Specific Standard Disclosures

Category: People		
G4-DMA	Generic Disclosure on Management Approach	Sustainability Report – Our People, Health and Safety p.25
G4-LA6 / IPIECA HS1, HS2, HS3, HS5	Injury rates	Sustainability Report – Health and Safety, p.25 and Performance Data, p.34
G4-DMA / IPIECA SE16	Generic Disclosure on Management Approach	Sustainability Report – Our People, Workplace Development and Retention, p.26
G4-LA9 / IPIECA SE17	Average training hours per employee	Sustainability Report – Performance Data, p.35
G4-LA10	Programs for skill management	Sustainability Report – Workplace Development and Retention, p.26-27
G4-LA12 / IPIECA SE15	Composition of governance bodies and employees	Sustainability Report – Performance Data, p.34
Category: Social/Communities		
G4-DMA	Generic Disclosure on Management Approach	Sustainability Report – Our Communities, p.28
G4-SO1/ IPIECA SE1, SE2, SE4	Operations with implemented local community engagement, impact assessments and development programs	Sustainability Report – Our Communities, p.28
G4-SO4 / IPIECA SE11, SE12, SE13	Communicating and training on anti-corruption policies and procedures	Sustainability Report – Ethical conduct and transparency, p.21-22
G4-SO5	Confirmed incidents of corruption and actions taken	Sustainability Report – Ethical conduct and transparency, p.22
Category: Environment		
G4-DMA	Generic Disclosure on Management Approach	Sustainability Report – Our Communities, p.29
G4-EN22/ IPIECA E7	Total water discharge by quality and destination	Sustainability Report – Our Environment, Produced water, p.30 and Performance Data, p.36
G4- OG5	Volume and disposal of produced water	Sustainability Report – Our Environment, Produced water, p.30 and Performance Data, p.36
G4- OG6/ IPIECA E4	Volume of flared and vented hydrocarbons	Sustainability Report – Performance Data, p.36
G4-EN24/ IPIECA E9	Number and volume of spills	Sustainability Report – Performance Data, p.36

Specific Standard Disclosures continued

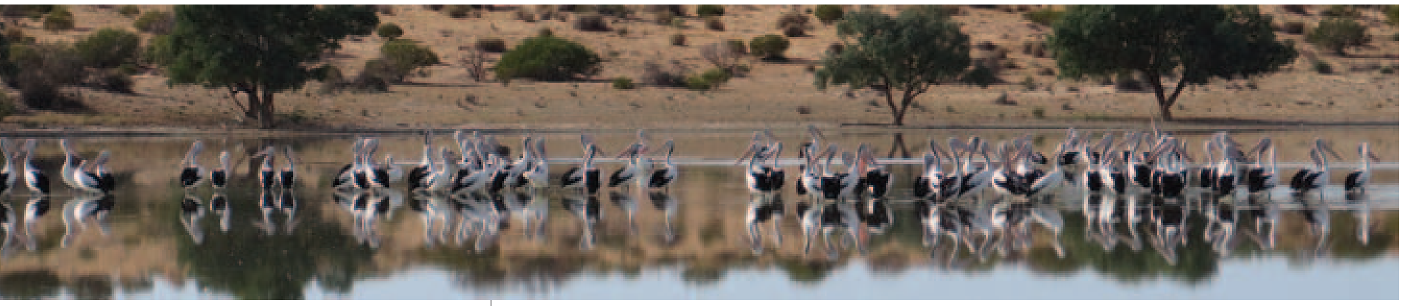
Specific Standard Disclosures	Disclosure Title	Page Number (or link)
Category: Environment		
G4-EN15 / IPIECA E1	Direct greenhouse gas emissions (Scope 1)	Sustainability Report – Performance Data, p.36
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	Sustainability Report – Performance Data, p.36
G4-EN21	NOx, SOx and other significant air emissions	Sustainability Report – Performance Data, p.36
G4-EN3/ IPIECA E2, E8	Energy consumption within the organisation	Sustainability Report – Performance Data, p.36
G4-EN12/ IPIECA E5	Description of impacts of activities on biodiversity	Sustainability Report – Our Environment, Biodiversity, p.31
G4-EN13	Habitats protected or restored	Sustainability Report – Our Environment, Biodiversity, p.31
Category: Economics		
G4-DMA	Generic Disclosure on Management Approach	Sustainability Report- Economics, p.32
G4-EC1	Direct economic value generated and distributed	Sustainability Report- Performance Data, p.37
G4-EC8	Indirect economic impacts	Sustainability Report- Economics, p.33

Governance at Beach

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

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

This year Beach has published it Corporate Governance Statement on its website rather than in its annual report. Our 2016 Corporate Governance Statement can be viewed on our website at Sustainability at Beach/Corporate governance.



Contents – Financials

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Financial report

Directors' report

Your directors present their report for Beach Energy Limited (Beach or Company) on the consolidated accounts for the financial year ended 30 June 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.

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

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.

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.

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**

2P reserves		Oil equivalent (MMboe)				Oil	Gas liquids	Gas
(Net)	Note	FY15	Production	Revisions	FY16	(MMbbl)	(MMboe)	(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*

	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.

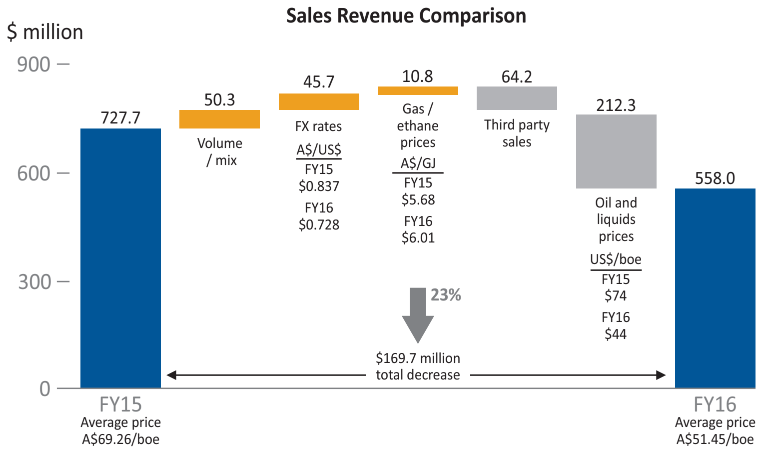
Key Financial Results		FY16	FY15	Change
Income				
Sales revenue	$m	558.0	727.7	(23%)
Total revenue	$m	564.6	735.5	(23%)
Cost of sales	$m	(477.8)	(562.5)	15%
Gross profit	$m	80.2	165.2	(51%)
Other income	$m	4.8	6.7	(28%)
Net profit/(loss)after tax (NPAT)	$m	(588.8)	(514.1)	(15%)
Underlying NPAT	$m	35.7	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%
		As at 30 June 2016	As at 30 June 2015	Change
Financial position				
Net assets	$m	1,074.5	1,354.8	(21%)
Cash balance	$m	199.1	170.2	17%

Underlying results in the table above 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 49 for a reconciliation of this information to the financial report.

Revenue

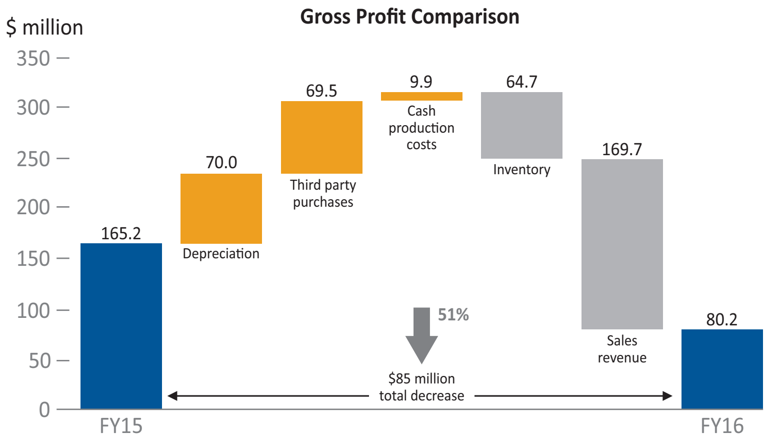
Lower oil prices and third party sales volumes in FY16 contributed to a 23% fall in sales revenue to $558 million ($728 million in FY15). Higher oil production, higher gas/ethane prices and a lower average A$/US$ exchange rate partly offset the reduction in oil prices. Sales revenue from production decreased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



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.



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.

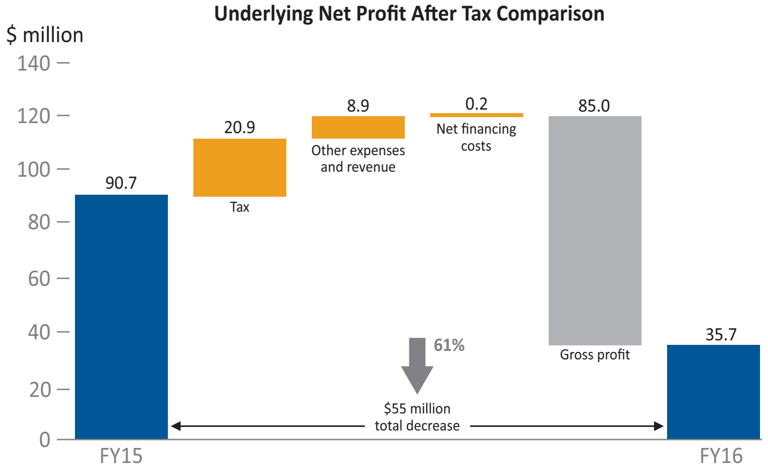
Other expenses were down 16% to $692 million, $136 million lower than FY15. Impairment charges (pre-tax) of $635 million were recognised in 1H FY16 and included Cooper Basin assets ($525 million) due to lower oil prices, exploration interests ($83 million) including Nappamerri Trough Natural Gas and 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.

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.

Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors.

Underlying Net Profit After Tax Comparison



Comparison of underlying profit	FY16 $m	FY15 $m	Movement from PCP $m	Change
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%)

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.

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.

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:

- 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.

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 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.

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.

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 Sept. 2015	25 Sept. 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 financial 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 December 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.

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.

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).

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.

Directors' report

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.

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.

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

Independence declaration

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		Other [1]	Total Cash
	Salary $	Super $	$	$
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*

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:

- **Attract, motivate and retain** 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;
- **Link** 'at risk' performance based incentives to shorter term and longer term Company goals that contribute to the achievement of the Company's purpose; and
- **Align** the longer term 'at risk' incentive rewards with expectations and outcomes consistent with shareholder objectives and interests by:
  - Benchmarking shareholder return against a peer group of companies that could be considered as an alternative investment to Beach;
  - Giving share based rather than all cash based rewards to senior executives.

Two additional features of Beach's policy framework are:

- A right to recover remuneration benefits awarded in situations involving fraud or dishonesty;
- A process to monitor compliance with 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 engagement 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) – Operating costs (12%) – Production (12%) – Safety (12%) and – 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
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	Member	Chairman Audit	Member Audit	Chairman Remuneration and Nomination	Member Remuneration and Nomination	Chairman Corporate Governance and Sustainability	Member Corporate Governance and Sustainability	Chairman Risk
$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'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.

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**		

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

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

Directors' declaration

1. In the directors' opinion:

   (a) the financial statements and notes set out on pages 84 to 123 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

Financial statements

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.

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	Consolidated 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

Notes to the Financial Statements

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

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:

1. Operating segments (continued)

	Cooper Basin		Other Australia		International		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$million	$million	**$million**	$million	**$million**	$million	**$million**	$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.								
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	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$million	$million	**$million**	$million	**$million**	$million	**$million**	$million
Non-current assets *	**1,160.1**	1,309.5	**-**	-	**9.3**	32.1	**1,169.4**	1,341.6

*excluding financial assets

2. Revenue and other income

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

		Consolidated	
		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
	Provision 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	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.

	2016	2015
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	
	Note	2016 $million	2015 $million	2016 $million	2015 $million	2016 $million	2015 $million	2016 $million	2015 $million	2016 $million	2015 $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.

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	
	Note	2016 $million	2015 $million	2016 $million	2015 $million	2016 $million	2015 $million	2016 $million	2015 $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

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	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$million	$million	**$million**	$million	**$million**	$million	**$million**	$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 $000	Consolidated 2015[1] $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*.

KPMG

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 63 to 82 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
$ or A$	Australian dollars
1C	Contingent resource low estimate [1]
2C	Contingent resource best estimate [1]
3C	Contingent resource high estimate [1]
1P	Proved reserve estimate [1]
2P	Proved and probable reserve estimate [1]
3P	Proved, probable and possible reserve estimate [1]
3D	3D Oil Ltd
ASX	Australian Securities Exchange
ATP	Authority To Prospect (QLD)
bbl	barrels of oil
Bcf	billion cubic feet
bfpd	Barrels of fluid per day
boe	Barrels of oil equivalent
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
Company	Beach Energy 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 / 632	PRLs 191 to 206 and various production licences
FY(16)	Financial Year 2016
Group	Beach and its subsidiaries
GSA	Gas sales agreement
GJ	Gigajoule
GRI	Global Reporting Initiative
(H1) (FY16)	(First) half year period (of FY16)
IPIECA	The global oil and gas industry association for environmental and social issues
kbbl	Thousand barrels of oil
kboe	Thousand barrels of oil equivalent
km	Kilometre
kt	Thousand tonnes
Kuwait Energy	Kuwait Energy Egypt Ltd
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTI	Lost time injury, meaning time lost from work of one shift or more
LTIFR	Lost time injury frequency rate, calculated as (LTI / workhours) * 1,000,000
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalent
MMscfd	Million standard cubic feet of gas per day
MTIFR	Medically-treated injury frequency rate, being the amount of medically treated injuries per million hours worked
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)

[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.*

Glossary of terms

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 the 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
TDS	Total dissolved solids
TJ	Terajoule
TRIFR	Total recordable injury frequency rate, being the sum of LTIFR and MTIFR
USA	United States of America
US$	United States $
WAC	Work area clearance

About this report

This Annual Report is a summary of the operational activities during FY16 and the financial position of Beach Energy Limited as at 30 June 2016.

Beach Energy Limited (ABN 20 007 617 969) is a company limited by shares and is incorporated and domiciled in Australia. Beach Energy Limited is the parent company of the Beach consolidated group of companies. The text does not distinguish between the operations of the parent company and those of its controlled entities.

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

Schedule of tenements

For the financial year ended 30 June 2016

Basin	State/ Country	Beach Group Tenements	%
Cooper/ Eromanga	Queensland	ATP 1189 ex ATP 259 (Naccowlah Block and PLs) (1)	38.5%
		ATP 1189 ex ATP 259 (Aquitaine A Block) (2)	22.5%
		ATP 1189 ex ATP 259 (Aquitaine B Block) (3)	20%
		ATP 1189 ex ATP 259 (Aquitaine C Block) (4)	25.2%
		ATP 1189 ex ATP 259 (Innamincka Block) (5)	30%
		ATP 1189 ex ATP 259 (Total 66 Block) (6)	30%
		ATP 1189 ex ATP 259 (Wareena Block) (7)	28.8%
		PL 55 (50/40/10)	40%
		PL 31 (Bodalla South Oil Field)	100%
		PL 32 (Kenmore Oil Field)	100%
		PL 47 (Black Stump Oil Field)	100%
		PL 184 (Thylungra Gas Discovery)	80.4%
		ATP 269 (Glenvale/Bargie JV and PLs) (8)	93.9%
		ATP 269 (Coolum/Byrock JV and PLs) (9)	93.21%
		ATP 299 (Tintaburra Block) (10)	40%
		SWQ Gas Unit (11)	23.2%
		ATP 539	100%
		ATP 549 (Cypress Block) (12)	40%
		ATP 549 (West Block) (12)	66.67%
		ATP 633 (13)	50%
		ATP 732 (14)	50%
		ATP 783 (Chandos Block)	100%
		ATP 855	64.9%
		ATP 920	100%
		ATP 924	100%
		ATP 932	100%
		ATP 940	40%

Schedule of tenements

Basin	State/ Country	Beach Group Tenements	%
Cooper/ Eromanga	South Australia	PPL 204 (Sellicks Oil Field)	75%
		PPL 205 (Christies Oil Field)	75%
		PPL 210 (Aldinga Oil Field)	50%
		PPL 212 (Kiana Oil Field)	100%
		PPL 220 (Callawonga Oil Field)	75%
		PPL 224 (Parsons Oil Field)	75%
		PPL 239 (Middleton/ Brownlow Fields)	100%
		PPL 240 (Snatcher Oil Field)	40%
		PPL 242 (Growler Oil Field)	40%
		PPL 243 (Mustang Oil Field)	40%
		PPL 245 (Butlers Oil Field)	75%
		PPL 246 (Germein Oil Field)	75%
		PPL 247 (Perlubie Oil Field)	75%
		PPL 248 (Rincon Oil Field)	75%
		PPL 249 (Elliston Oil Field)	75%
		PPL 250 (Windmill Oil Field)	75%
		PPL 253 (Bauer, Bauer-North, Chiton, Arno Oil Fields)	100%
		PPL 254 (Congony-Kalladeina Oil Fields)	100%
		PPL 255 (Hanson-Snelling Oil Fields)	100%
		PPL 256 (Sceale Oil Field)	100%
		PPL 257 (Canunda/Coolawang Fields)	100%
		PPL 258 (Spitfire Field)	40%
		PPL 260 (Stunsail Oil Field)	100%
		PPL 261 (Pennington Oil Field)	100%
		PPL 262 (Balgowan Oil Field)	100%
		Reg Sprigg West Unit	12.86%
		PEL 87	40%
		ex PEL 91 [15]	100%
		GSEL 648 (ex PEL 91)	40%
		ex PEL 92 [16]	75%
		GSEL 634 (ex PEL 92)	75%
		PEL 94	50%
		PEL 95	50%
		ex PEL 101 [17]	80%
		GSEL 652 (ex PEL 101)	80%
		ex PEL 103 [18]	100%
		ex PEL 103A (Avery Block) [19]	75%
		GSEL 660 (ex PEL 103A)	75%
		ex PEL 104 [22]	40%
		PRL 15 (Growler Block)	40%
Cooper/ Eromanga	South Australia	ex PEL 106 [20]	100%
		GSEL 646 (ex PEL 106)	50%
		ex PEL 107 [21]	100%
		GSEL 653 (ex PEL 107)	40%
		ex PEL 111 [22]	40%
		ex PEL 182 [23]	43%
		ex PEL 218 (Permian) [24]	100%
		GSEL 633 (ex PEL 218	70%
		ex PEL 218 (Post Permian) [25]	43.39%
		PEL 424	40%
		ex PEL 513 [26]	40%
		ex PEL 570	47.5%
		ex PEL 632 [27]	40%
		Reg Sprigg West Unit	12.86%
		PRL 26 (Udacha Unit)	15%
		GSEL 645 (ex Udacha Unit)	15%
		Patchawarra East [28]	17.14%
		Fixed Factor Agreement [29]	20.21%
		SA Unit	20.21%
Otway	South Australia	PEL 494	70%
		PEL 495 [23]	70%
		PPL 62 (Katnook)	100%
		PPL 168 (Redman)	100%
		PPL 202 (Haselgrove)	100%
		PRL 1 (Wynn)	100%
		PRL 2 (Limestone Ridge)	100%
		PRL 13 (Killanoola Field)	100%
		PRL 32 (ex PEL 255)	70%
		GSRL 27	100%
Arrowie	South Australia	GEL 156	21%
Otway	Victoria	PPL 6 (McIntee Gas Field)	10%
		PPL 9 (Lavers Gas Field)	10%
		PRL 1 (Buttress North)	10%
		PEP 150	50%
		PEP 168	50%
		PEP 171	75%
Gippsland	Victoria	VIC L26 (Basker, Manta, Gummy) [30]	35%
		VIC L27 (Basker, Manta, Gummy) [30]	35%
		VIC L28 (Basker, Manta, Gummy) [30]	35%
Browse	Western Australia	WA-281-P	7.34%
Carnarvon	Western Australia	WA-48-R (Hurricane)	10%

Schedule of tenements

Basin	State/ Country	Beach Group Tenements	%
Bonaparte Basin	Northern Territory	EP 126	100%
Canterbury	New Zealand	PEP 52717	50%
Taranaki	New Zealand	PEP 57080	50%
Otway	Tasmania	T/49P	30%
Gulf of Suez	Egypt	North Shadwan-1 Development Lease (377)	20%
		North Shadwan-2 Development Lease (385)	20%
		North Shadwan-3 Development Lease (394)	20%
		El Qa'a Plain Concession	25%
Abu Gharadig	Egypt	Abu Sennan Concession	22%
		Abu Sennan-1 DL (Al Jahraa Field)	22%
		Abu Sennan-2 DL (El Salmiya Field)	22%
		Abu Sennan-3 DL (ASA Field)	22%
		Abu Sennan-4 DL (Al Qasdsiya Field)	22%
		Al Ahmadi DL (ZZ Field,Al Ahmadi Field)	22%
Mesaha	Egypt	Mesaha Graben Conc.	15%
East African Rift	Tanzania	Lake Tanganyika South	100%

Notes

1. *The Naccowlah Block consists of ATP 1189 ex ATP 259 (Naccowlah) and PLs 23-26, 35, 36, 62, 76-79, 82, 87, 105, 133, 149, 175, 181, 182, 189, PLA 287, 302, 495 and 496. Note sub-leases of PLs (gas) to SWQ Unit.*
2. *The Aquitaine A Block consists of ATP 1189 ex ATP 259 (Aquitaine A) and PLs 86, 131, 146, 177, 208 and 254. Note sub-leases of part PLs (gas) to SWQ Unit.*
3. *The Aquitaine B Block consists of ATP 1189 ex ATP 259 (Aquitaine B) and PLs 59 – 61, 81, 83, 85, 97, 106, 108, 111, 112, 132, 135, 139, 147, 151, 152, 155, 205, 207, PLA 288, PLA 508 and PL 509. Note sub-leases of part of PLs (gas) to SWQ Unit.*
4. *The Aquitaine C Block consists of ATP 1189 ex ATP 259 (Aquitaine C) and PLs 138 and 154.*
5. *The Innamincka Block consists of ATP 1189 ex ATP 259 (Innamincka) and PLs 58, 80, 136, 137, 156, 159 and 249. Note sub-leases of part PLs (gas) to SWQ Unit.*
6. *The Total 66 Block consists of ATP 1189 ex ATP 259 (Total 66) and PLs 34, 37, 63, 68, 75, 84, 88, 110, 129, 130, 134, 140, 142 – 144, 150, 178, 186, 193, 241, 255, 301 and PLA 497. Note sub-leases of part of PLs (gas) to SWQ Unit.*
7. *The Wareena Block consists of ATP 1189 ex ATP 259 (Wareena) and PLs 113, 114, 141, 145, 148, 153, 157, 158, 187,188 and 411. Note sub-leases of part of PLs (gas) to SWQ Unit.*
8. *The Glenvale/Bargie Joint Venture consists of ATP 269 and PL 256 and production from the Glenvale Well located within PL 483.*
9. *The Coolum/Byrock Joint Venture consists of ATP 269 and PLs 482, 483 and 484 (excluding production from the Glenvale Well). Beach holds a 65.62% interest and Mawson a 27.59% interest.*
10. *The Tintaburra Block consists of ATP 299 (Tintaburra) and PLs 29, 38, 39, 52, 57, 95, 169, 170, 293, 294, 295 and 298.*
11. *The SWQ Gas Unit consists of subleases of PLs within the gas production area of Naccowlah Block, Aquitaine A Block, Aquitaine B Block, Innamincka Block, Wareena Block and Total 66 Block.*
12. *ATP 549W and ATP 549C are references to parts of the area covered by ATP 549 held by Australian Gasfield Limited. Drillsearch is party to contractual arrangements whereby the area covered by permit ATP 549 is proposed to be segregated into three separate permits (including permits covering the areas known as ATP 549W and ATP 549C). Drillsearch is not a holder of a registered interest in ATP 549.*
13. *Registered interest is 100%. Assignment of 50% subject to completion of assignment documentation and regulatory approval.*
14. *Re-assignment to Bengal by Beach of 50% subject to completion of assignment documentation and regulatory approval.*
15. *ex PEL 91 consists of PRLs 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171 and 172.*
16. *ex PEL 92 consists of PRLs 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103 and 104.*
17. *ex PEL 101 consists of PRLs 173 and 174.*
18. *ex PEL 103 consists of PRLs 14, 17, 18, 180 and 181.*
19. *ex PEL 103A consists of PRL 182.*
20. *ex PEL 106 consists of PRLs 129 and 130.*
21. *ex PEL 107 consists of PRLs 175, 176, 177, 178 and 179.*
22. *ex PEL 104/111 consists of PRLs 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149 and 150.*
23. *ex PEL 182 consists of PRL 135.*
24. *ex PEL 218 (Permian) consists of Permian section of PRLs 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48 and 49.*
25. *ex PEL 218 (Post Permian) consists of Post Permian section of PRLs 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48 and 49. Registered interest is 66.67%. Assignment of 23.28% subject to completion of assignment documentation and regulatory approval.*
26. *ex PEL 513 consists of PRLs 191 and 206.*
27. *ex PEL 632 consists of PRLs 131, 132, 133 and 134.*
28. *Patchawarra East consists of PPLs 26, 76, 77, 118, 121 -123, 125, 131, 136, 147, 152, 156, 158, 167, 182, 187, 194, 201 and 229.*
29. *The Fixed Factor Agreement consists of PPLs 6 – 20, 22 - 25, 27, 29 - 33, 35 - 48, 51 - 61, 63 - 70, 72 - 75, 78 - 81, 83, 84, 86 - 92, 94, 95, 98 - 111, 113 - 117, 119, 120, 124, 126 - 130, 132 - 135, 137 - 140, 143 - 146, 148 - 151, 153 - 155, 159 - 166, 172, 174 - 180, 189, 190, 193, 195, 196, 228 and 230 - 238.*
30. *Re-assignment to Cooper by Beach of 35% subject to regulatory approval, effective 27 October 2016.*

Tenements acquired

PPL 260 (ex PEL 91), PPL 261 (ex PEL 91), PPL 262 (ex PEL 91), ATP 299 (Tintaburra Block), ATP 539, ATP 549 (Cypress Block), ATP 549 (West Block, ATP 783 (Chandos Block), ATP 920, ATP 932, ATP 940, PRL 173 (ex PEL 101), PRL 174 (ex PEL 101), GSEL 652 (ex PEL 101), PRL 14, (ex PEL 103/103A), PRL 17 (ex PEL 103/103A), PRL 18 (ex PEL 103/103A), GSEL 660 (ex PEL 103A), PRL 135 (ex PEL 182), PRL 191 (ex PEL 513), PRL 206 (ex PEL 513), PRL 131 (ex PEL 632), PRL 132 (ex PEL 632), PRL 133 (ex PEL 632), PRL 134 (ex PEL 632)

Tenements divested

EP 138, PEL 495, ATP 732, PEP 52181, PEL 186

Shareholder information

Beach Energy Limited

Share details – Distribution as at 8 September 2016

Range of shares	Number of shareholders Fully paid ordinary shares
1 – 1,000	5,259
1,001 – 5,000	9,472
5,001 – 10,000	5,203
10,001 – 100,000	8,929
100,001 and over	844
Total	29,707
Shareholders with non-marketable parcels	4,553

Voting rights – Fully paid ordinary shares: On a show of hands, every person qualified to vote, whether as a member or proxy or attorney or representative, shall have one vote. Upon a poll, every member shall have one vote for each share held.

Twenty largest shareholders as at 8 September 2016

Rank		Fully paid ordinary shares Number	%
1.	Network Investment Holdings Pty Ltd	331,968,713	17.84
2.	J P Morgan Nominees Australia Limited	282,329,821	15.17
3.	HSBC Custody Nominees (Australia) Limited	231,293,386	12.43
4.	Citicorp Nominees Pty Limited	156,621,239	8.42
5.	National Nominees Limited	51,375,965	2.76
6.	QGC Pty Ltd	45,270,118	2.43
7.	Network Investment Holdings Pty Ltd	34,127,698	1.83
8.	UBS Nominees Pty Ltd	31,156,576	1.67
9.	UBS Nominees Pty Ltd	26,843,311	1.44
10.	Network Investment Holdings Pty Ltd	18,742,950	1.01
11.	BNP Paribas Noms Pty Ltd <DRP>	17,355,395	0.93
12.	Network Investment Holdings Pty Ltd	14,172,317	0.76
13.	BNP Paribas Noms Pty Ltd <UOB KAY HIAN PRIV Ltd DRP>	12,250,339	0.66
14.	Zero Nominees Pty Ltd	11,818,500	0.64
15.	HSBC Custody Nominees (Australia) Limited A/C 2	6,793,798	0.37
16.	Pan Australian Nominees Pty Limited	6,326,116	0.34
17.	HSBC Custody Nominees (Australia) Limited A/C 3	4,601,614	0.25
18.	Mr Robert Lee Petersen	3,808,168	0.20
19.	National Nominees Limited <DB A/C>	3,641,444	0.20
20.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,233,904	0.17
TOTAL: Top 20 holders of FULLY PAID ORDINARY SHARES		**1,293,731,372**	**69.53**
Total: Remaining Holders Balance		567,050,740	30.47
Total		**1,860,782,112**	**100.0**

Corporate directory

Chairman

Glenn Davis
LLB, BEc, FAICD
Independent non-executive

Deputy Chairman

Colin Beckett
FIEA, MICE, GAICD
Independent non-executive

Directors

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

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

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

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

Ryan Stokes
Bcomm, FAIM
Non-executive

Company Secretary

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

Registered Office

25 Conyngham Street
GLENSIDE SA 5065
Telephone: (08) 8338 2833
Facsimile: (08) 8338 2336
Email: info@beachenergy.com.au

Share Registry - South Australia

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell St
ADELAIDE SA 5000
Telephone: (08) 8236 2300
Facsimile: (08) 8236 2305

Auditors

KPMG
151 Pirie Street
Adelaide SA 5000
Telephone: +61 8 8236 3111
Facsimile: +61 8 8236 3299

Securities Exchange Listing

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

Beach Energy Limited

ACN 007 617 969
ABN 20 007 617 969

Website

www.beachenergy.com.au