

BEACH ENERGY LIMITED

ACN 007 617 969 (Beach or Company)



NOTICE OF 2016 ANNUAL GENERAL MEETING

Beach will hold its 55th Annual General Meeting at the Convention Centre, North Terrace Adelaide South Australia, 5000 on Thursday 10 November 2016 at 10.30am (Adelaide time).

AGENDA

ORDINARY BUSINESS

Financial Statements

To receive and consider the financial statements and the reports of the directors and auditors for the financial year ended 30 June 2016.

These statements and reports can be viewed in Beach's 2016 annual report which is available at www.beachenergy.com.au.

Note: There is no requirement for shareholders to approve the financial statements and reports and accordingly no resolution will be put to shareholders regarding this item of business.

Resolution 1 – Adoption of remuneration report

To consider and put to a non-binding vote the following resolution:

"That the remuneration report for the financial year ended 30 June 2016 be adopted."

Voting Exclusion Statement (Corporations Act):

Beach will disregard any votes cast on resolution 1:

- *by or on behalf of a member of the key management personnel (KMP), details of whose remuneration are included in the remuneration report for the year ended 30 June 2016, or a closely related party of a member of the KMP, in any capacity, or*
- *as a proxy by a person who has become a member of the KMP by the time of the annual general meeting, or by any closely related party of a member of the KMP,*

unless the vote is cast as proxy for a person who is entitled to vote on resolution 1 and:

- *the vote is cast in accordance with directions on the proxy form specifying how the proxy is to vote; or*
- *the vote is cast by the chairman of the meeting and the proxy form authorises him to vote as he decides on resolution 1.*

Resolution 2 – Re-election of G S Davis as a director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Glenn Stuart Davis, who retires by rotation pursuant to clause 13.3 of the constitution of Beach and ASX Listing Rule 14.4 and who, being eligible, offers himself for re-election, is re-elected as a director of Beach."

Resolution 3 – Election of P J Bainbridge as a director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Philip James Bainbridge, who was appointed as a director subsequent to the last annual general meeting of Beach and being eligible, offers himself for re-election, is elected as a director of Beach."

Resolution 4 – Election of J D McKerlie as a director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That James David McKerlie, who was appointed as a director subsequent to the last annual general meeting of Beach and being eligible, offers himself for re-election, is elected as a director of Beach."

Resolution 5 – Election of R K Stokes as a director

To consider and if thought fit, pass the following resolution as an ordinary resolution:

"That Ryan Kerry Stokes, who was appointed as a director subsequent to the last annual general meeting of Beach and being eligible, offers himself for re-election, is elected as a director of Beach."

SPECIAL BUSINESS

Resolution 6 – Renewal of approval of the Beach Executive Incentive Plan

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That issues of securities by Beach under the Beach Executive Incentive Plan, the key terms of which are set out in the Explanatory Statement, be approved as an exception to ASX Listing Rule 7.1.”

Voting Exclusion Statement (Corporations Act):

Beach will disregard any votes cast on resolution 6:

- by or on behalf of a member of the key management personnel (**KMP**), details of whose remuneration are included in the remuneration report for the year ended 30 June 2016, or a closely related party of a member of the KMP, in any capacity, or
- as a proxy by a person who has become a member of the KMP by the time of the annual general meeting, or by any closely related party of a member of the KMP,

unless the vote is cast as proxy for a person who is entitled to vote on resolution 6 and:

- the vote is cast in accordance with directions on the proxy form specifying how the proxy is to vote; or
- the vote is cast by the chairman of the meeting and the proxy form authorises him to vote as he decides on resolution 6.

Resolution 7 – Increase number of directors

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purpose of clause 13.2 of the constitution of Beach, the maximum number of directors shall be increased from seven to nine.”

Resolution 8 – Remuneration of non-executive directors

To consider and, if thought fit, pass the following as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 10.17, clause 13.9.2 of the constitution of Beach and for all other purposes, the maximum aggregate remuneration of the non-executive directors of Beach be increased to \$1,500,000 per year.”

Voting Exclusion Statement (ASX Listing Rules):

Beach will disregard any votes cast on resolution 8 by any director of Beach and the associates of any director of Beach.

However, Beach need not disregard a vote if it is cast:

- by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- by the chairman of the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Exclusion Statement (Corporations Act):

Beach will disregard any votes cast on resolution 8:

- by or on behalf of a member of the key management personnel (**KMP**), details of whose remuneration are included in the remuneration report for the year ended 30 June 2016, or a closely related party of a member of the KMP, in any capacity, or
- as a proxy by a person who has become a member of the KMP by the time of the annual general meeting, or by any closely related party of a member of the KMP,

unless the vote is cast as proxy for a person who is entitled to vote on resolution 8 and:

- the vote is cast in accordance with directions on the proxy form specifying how the proxy is to vote; or
- the vote is cast by the chairman of the meeting and the proxy form authorises him to vote as he decides on resolution 8.

Resolution 9 – Approval of financial assistance for acquisition of Drillsearch Energy shares

To consider, and if thought fit, pass the following resolution as a special resolution:

*“That the Company approve the giving by Drillsearch Energy Pty Limited and Great Artesian Oil and Gas Pty Ltd (**Specified Drillsearch Subsidiaries**) of financial assistance that may result from their entry into and performance under the following documents (**Documents**):*

- (a) the Syndicated Debt Facility Agreement dated 4 December 2015 between Beach Energy Limited and various subsidiaries, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, The HongKong and Shanghai Banking Corporation Limited and National Australia Bank Limited (**Syndicated Debt Facility Agreement**) which the Specified Drillsearch Subsidiaries will accede to (by way of accession deed or otherwise) or be a party to in the capacity as a Guarantor and Obligor (each as defined in the Syndicated Debt Facility Agreement) and under which the Specified Drillsearch Subsidiaries provide guarantees and indemnities of the obligations of the Obligors in connection with the Finance Documents (in each case as defined in the Syndicated Debt Facility Agreement);*
- (b) any agreement granting or any arrangement otherwise granting a security interest over all of the assets of the Specified Drillsearch Subsidiaries in favour of the Beach Security Trustee (as defined in the Syndicated Debt Facility Agreement) on the same terms and conditions as the general security deed granted by Beach Energy Limited in favour of the Beach Security Trustee dated 31 July 2013; and*
- (c) any document in any way connected with or related to any of the above documents or in respect of any matter arising out of or in relation to the above documents,*

(Financial Assistance) provided that the members of each of the Specified Drillsearch Subsidiaries (by way of unanimous resolution) and of Beach Energy Limited (by way of special resolution) approve the giving of Financial Assistance in accordance with Sections 260B(1) and 260B(2) of the Corporations Act 2001 (Cth) (Corporations Act) and the financing of the recent acquisition of the shares in Drillsearch Energy Pty Limited by Beach Energy Limited.”

A disclosure statement made in accordance with section 260B(4) of the Corporations Act is enclosed with this notice.

The chairman of the meeting intends to vote all available proxies in favour of each item of business.

By Order of the Board

Signed for and on behalf of Beach Energy Limited by:



Catherine Oster
Company Secretary
7 October 2016

How to Vote:

1. Voting on all items of business will be conducted by a poll.
2. A shareholder entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote instead of the shareholder.
3. Where more than one proxy is appointed, a shareholder may specify the percentage or number of votes each proxy can exercise. If the proxy form does not specify the percentage or number of votes each proxy may exercise, each proxy may exercise half of the shareholders votes on a poll. Fractions will be disregarded.
4. A proxy need not be a shareholder of Beach.
5. A proxy form accompanies this notice of meeting and contains additional information.
6. If your proxy chooses to vote, he/she must vote in accordance with your directions. If you have directed your proxy to vote, and they fail to attend the meeting or they choose to not vote on a poll, then the chairman of the meeting will vote your proxies as directed by you.
7. If you do not mark a box, your proxy may vote as they choose on that item. However, note that if the chairman of the meeting is your proxy, you expressly authorise the chairman to vote undirected proxies on resolutions 1, 6 and 8 even though the resolutions are connected directly or indirectly with the remuneration of a member of the KMP. The chairman of the meeting intends to vote undirected proxies in favour of each of the resolutions.
8. To be valid, duly completed proxy forms and any proxy appointment authorities under which a proxy form is signed, such as a power of attorney, must be received by Beach at an address specified on the proxy form no later than 48 hours before the time, in Adelaide, of the commencement of the meeting.
9. For the purpose of the meeting, shares in Beach will be taken to be held by those persons who are registered holders at 7.30pm (Adelaide time) Tuesday 8 November 2016. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.
10. The constitution of Beach provides that three shareholders present in person, by proxy, attorney or representative shall be a quorum for a general meeting of Beach.

EXPLANATORY STATEMENT TO NOTICE OF ANNUAL GENERAL MEETING

This explanatory statement is provided to shareholders of Beach in relation to resolutions to be proposed at the 2016 annual general meeting.

ORDINARY BUSINESS

Financial Statements

In accordance with section 317 of the Corporations Act, the business of an annual general meeting must include the receipt and consideration of the financial statements and reports required by law for the past financial year. They are found in Beach's 2016 annual report which is available for shareholders to access and can be downloaded from the Beach website www.beachenergy.com.au. If you would like to receive a hard copy of the annual report free of charge you can contact Beach's Share Registry on 1300 556 161 (inside Australia) or + 61 3 9415 4000 (outside Australia).

There is no requirement for shareholders to approve these statements or reports. During this item of business, the chairman of the meeting will allow a reasonable opportunity to ask questions and make comments on these financial statements and reports. KPMG conducted the audit of Beach for the last financial year. KPMG has been invited to attend this meeting and Beach has been advised that a suitably qualified member of the audit team of KPMG, who conducted the audit of Beach for the last financial year, will attend the meeting.

Shareholders as a whole will be allowed a reasonable opportunity at the meeting to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by Beach in the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Shareholders who are entitled to vote at the meeting may submit a written question to the auditor that is relevant to the content of the auditor's report to be considered at the meeting or the conduct of the audit of the annual financial report to be considered at the meeting. Written questions may be submitted by sending them to Beach. Questions must be submitted no later than the fifth business day before the meeting is held. Shareholders can use the form accompanying this notice of meeting.

Resolution 1 – Adoption of remuneration report

At the meeting, there will be reasonable opportunity for shareholders to ask questions about, or make comments on, the remuneration report. The remuneration report of Beach is included in the annual report and appears on pages 63 to 82 of the report. It is also available for shareholders to access and download from Beach's website www.beachenergy.com.au. The remuneration report sets out Beach's remuneration arrangements for its non-executive directors and senior executives.

The law requires that a resolution, that the remuneration report be adopted, be put to the vote at Beach's annual general meeting. The vote on the resolution is advisory only and does not bind the directors or Beach. However, the board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of Beach.

Shareholders should also note that in accordance with the "two strikes rule", the result of the vote on this item may affect next year's annual general meeting – if 25% or more of the votes cast on this resolution are "against", a "spill resolution" will be included in the 2017 notice of annual general meeting as required by the Corporations Act. A "spill resolution" is a resolution proposing that an extraordinary general meeting of shareholders be called to consider the election of directors. If 25% or more of the votes cast on the remuneration resolution at the 2017 annual general meeting are against the remuneration resolution, shareholders would then be required to consider the "spill resolution". If 50% or more of the votes cast on the spill resolution are "for", a further separate "spill meeting" would need to be held within 90 days.

Beach received more than 98% of "yes" votes on its remuneration report for the 2015 financial year. The company did not receive any specific feedback at the 2015 annual general meeting on its remuneration practices.

The directors recommend that shareholders vote in favour of resolution 1.

Resolution 2 – Re-election of G S Davis as a director

Clause 13.3 of Beach's constitution states that at each annual general meeting, one-third of the directors (not taking into account the directors who have been appointed as an addition or to fill a casual vacancy since the last annual general meeting) must retire. There is a similar requirement in the ASX Listing Rules. Mr Davis has served as a director since his election at the annual general meeting in November 2014. Directors who retire from office in this manner are eligible for re-election. Mr Davis has offered himself for re-election. His details are set out below.

A description of Mr Davis' experience, qualifications and competencies follows:

Glenn Stuart 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 is a director of ASX listed company Monax Mining Limited (since 2004) and is a former director of Marmota Energy Limited (from 2007 to June 2015). His special responsibilities include membership of the Remuneration and Nomination Committee. The board considers that 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. He is considered by the board to be an independent director.

In accordance with the policy of the board, a review of Mr Davis' effectiveness as a director of Beach was considered by the board prior to accepting his offer to stand for re-election as a director of Beach.

The directors (other than Mr Davis) recommend the re-election of Mr Davis.

Resolutions 3, 4 and 5 – Election of P J Bainbridge, J D McKerlie and R K Stokes as directors

The board appointed Mr Bainbridge, Mr McKerlie and Mr Stokes after the 2015 annual general meeting. Beach's constitution and the ASX Listing Rules require a director who is newly appointed by the board to stand for re-election at the next annual general meeting after their appointment. Accordingly, Mr Bainbridge, Mr McKerlie and Mr Stokes offer themselves for re-election.

In accordance with the policy of the board, a review of Mr Bainbridge, Mr McKerlie and Mr Stokes effectiveness as directors of Beach was considered by the board prior to accepting their offer to stand for re-election as directors of Beach.

A description of Mr Bainbridge's experience, qualifications and competencies follows:

Philip James Bainbridge

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

Mr Bainbridge was appointed to the board on 1 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 Executive General Manager 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.

The directors (other than Mr Bainbridge) recommend the re-election of Mr Bainbridge.

A description of Mr McKerlie's experience, qualifications and competencies follows:

James David McKerlie

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

Mr McKerlie was appointed to the board on 1 March 2016. 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.

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

His special responsibilities include membership of the Audit Committee.

The directors (other than Mr McKerlie) recommend the re-election of Mr McKerlie.

A description of Mr Stokes' experience, qualifications and competencies follows:

Ryan Kerry Stokes

Non-executive director - B Comm FAIM

Mr Stokes was appointed to the board on 20 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 Chief Executive Officer 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). 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 SWM since 2012.

Beach entered into an agreement with SGH and associated corporations to agree protocols and other arrangements appropriate to the appointment of a director representing a large shareholder. There is also an agreement with SGH and Mr Stokes to protect the confidential information of the Beach group, and address any potential conflicts of interest that may arise. It has also been agreed that if SGH, Network Investment Holdings Pty Ltd and WesTrac Holdings Pty Ltd's interest in Beach falls below 12.5%, SGH will procure the resignation of Mr Stokes if requested by Beach.

The directors (other than Mr Stokes) recommend the re-election of Mr Stokes.

SPECIAL BUSINESS

Resolution 6 – Renewal of approval of the Beach Executive Incentive Plan

The Beach Executive Incentive Plan (**Plan**) was approved by shareholders at the 2010 annual general meeting and the approval was renewed at the 2013 annual general meeting. The Plan operates as an “umbrella” incentive plan pursuant to which the board may make both short and long term incentive offers to eligible executives. The Plan is designed to link the reward of employees with the performance of the group and the generation of shareholder wealth. The purpose of this resolution is to renew shareholder approval obtained in 2013.

ASX Listing Rule 7.1 prohibits Beach from issuing or agreeing to issue new securities amounting to more than 15% of the issued capital of Beach during a 12 month period, without shareholder approval unless an exception applies. One of those exceptions is exception 9 of ASX Listing Rule 7.2 which excludes securities issued under an employee incentive plan where shareholders have approved the issue of the securities

under such a plan. This resolution seeks shareholder approval for the issue of securities in Beach under the Plan so that they will not be included in the 15% limit referred to above. The approval continues for 3 years, at which time it must be renewed, or it will expire. If this resolution is not passed, the board may still make allocations under the Plan, however, securities issued under the Plan will count towards the 15% limit. The approval by shareholders simply gives the board the full flexibility afforded by the 15% rule imposed by the ASX.

Approval is being sought to provide the board flexibility in continuing to manage its capital requirements efficiently by ensuring that the 15% limit is not diminished by issues of securities under the Plan and capacity is available for capital management initiatives and acquisitions, if necessary.

A summary of the rules of the Plan is set out below. Copies of the Plan rules are available on request to the Company Secretary.

The rules of the Plan in respect of securities issues are summarised in the following paragraphs:

Form of awards	Under the Plan, the board may grant eligible employees awards in the form of performance rights, options or cash or a combination of those awards. No options have been granted under the Plan since it was adopted in 2010, or are currently proposed.
Terms of Plan	Under the Plan, the board may grant awards on such terms as it determines. For example, the board may determine that the vesting of the awards is subject to performance and/or service conditions, and may determine that a trading restriction applies to any shares allocated on vesting or exercise of performance rights or options granted under the Plan. As noted above, the board currently makes offers under Beach’s short and long term incentive plans under the Plan. Specific terms of those offers are determined in respect of each offer and communicated to shareholders in the remuneration report for that year. In general, where a participant ceases employment with Beach before an award has vested the award will lapse, however the board has a broad discretion to determine otherwise. For example, in the case of a “good leaver”, the board may determine that any unvested awards vest on a pro rata basis to the extent that any performance and/or service condition has been satisfied. In the event of fraud or dishonesty, awards under the Plan will be forfeited. Beach may either issue new shares or acquire shares on market for allocation to participants on exercise of awards under the Plan.
Approval as an exception to ASX Listing Rule 7.1	Beach seeks approval for issues of securities under the Plan for the purpose of ASX Listing Rule 7.2, exception 9, as an exception to ASX Listing Rule 7.1 which prohibits the issuing of securities without shareholder approval outside the specified limits. If this resolution is not approved, the board may still adopt the Plan, however securities issued under it will count towards the specified limits.
Other information	Beach has issued 8,722,500 performance rights, and on vesting of performance rights 6,871,546 ordinary shares, under the Plan since the date of the last approval.

The directors recommend that shareholders vote in favour of resolution 6.

Resolution 7 – Increase number of directors

Clause 13.2 of Beach's constitution currently limits the maximum number of directors to seven directors. The constitution provides that Beach may, by ordinary resolution, increase or reduce the maximum number of directors.

To provide flexibility in the future, the board considers that it would be prudent to increase the maximum size of the board from seven to nine directors. This would enable Beach to appoint additional directors with appropriate skills and experience to complement the expertise of the existing directors in the event of a significant corporate transaction or the proposal of additional nominee directors. Any further increase in the maximum number of directors would require further shareholder approval.

It is the board's current intention to appoint a second Seven Group Holdings Limited nominee to the board in the event that the size of the board is increased to nine.

The directors recommend that shareholders vote in favour of resolution 7.

Resolution 8 – Remuneration of non-executive directors

Under ASX Listing Rule 10.17, the approval of shareholders is required before the total aggregate amount of directors' fees payable to all of Beach's non-executive directors can be increased.

"Directors' fees" for the purposes of this rule means all fees payable to a non-executive director for acting as a director (including attending and participating in board committee meetings) and includes superannuation contributions for the benefit of a non-executive director. It does not include reimbursement of genuine out-of-pocket expenses, any special exertion fees paid in accordance with the constitution of Beach to reimburse a non-executive director for extra services provided on behalf of Beach, or any securities issued to a non-executive director with the approval of shareholders under ASX Listing Rules 10.11 or 10.14. ASX Listing Rule 10.17 does not apply to the remuneration of a Managing Director. There have been no securities issued to non-executive directors of Beach under ASX Listing Rules 10.11 or 10.14 at any time within the preceding three years.

The board sought independent external advice on the appropriate level of the non-executive director maximum fee pool. In accordance with that advice, it is proposed that the maximum amount of directors' fees payable as a whole to the non-executive directors be increased by \$200,000 to \$1,500,000 per year. Shareholders approved an increase to the current maximum fee pool of \$1,300,000 per year at the 2014 annual general meeting. In addition, there has not been an increase in individual directors fees since 2012.

The maximum amount of \$1,500,000 is consistent with the fee pool of companies of comparable size taking into account the proposed increase in the maximum size of the board from seven to nine directors. It also takes account

of the need to remunerate at market levels to attract and retain skilled and talented directors, to address workload obligations that arise from changing legal and regulatory requirements, and in reflecting the fiduciary responsibilities of directors.

Given their interest in the subject matter of this resolution, the board makes no recommendation to shareholders on this issue.

Resolution 9 – Approval of financial assistance for acquisition of Drillsearch Energy shares

As required by section 260B(4) of the Corporations Act 2001 (Cth) you are informed that:

1. Particulars of financial assistance proposed to be given

The particulars of the financial assistance proposed to be given are that the Company approve:

- (a) the giving of financial assistance by Drillsearch Energy Pty Limited and Great Artesian Oil and Gas Pty Ltd (the **Specified Drillsearch Subsidiaries**) by entering into or acceding as Guarantor and Obligor and performing its obligations under the Syndicated Debt Facility Agreement dated 4 December 2015 (**Syndicated Debt Facility Agreement**) between Beach and various subsidiaries, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, The HongKong and Shanghai Banking Corporation Limited and National Australia Bank Limited;
- (b) each of the Specified Drillsearch Subsidiaries entering into an agreement granting or otherwise providing a security interest over all of its assets in favour of CBA Corporate Services (NSW) Pty Limited (**Beach Security Trustee**) on the same terms and conditions as the general security deed granted by Beach in favour of the Beach Security Trustee dated 31 July 2013;
- (c) each of the Specified Drillsearch Subsidiaries entering into and performing its obligations under any document in any way connected with or related to any of the above documents or in respect of any matter arising out of or in relation to the above documents,

(Transaction).

The Transaction may have the affect of financially assisting the recent acquisition of the shares in Drillsearch Energy Pty Limited by Beach (the **Acquisition**).

2. Reasons for the proposal for financial assistance

On 1 March 2016, Beach acquired the Drillsearch Group (comprised of Drillsearch Energy Pty Limited and its subsidiaries).

The transaction was effected by Beach's acquisition of all of the issued share capital of Drillsearch Energy Pty Limited that it did not already own via a Scheme of Arrangement (**Scheme**). Drillsearch Energy Pty Limited's shareholders received 1.25 shares in Beach for each share held in Drillsearch Energy Pty Limited.

The Drillsearch Group structure on acquisition is annexed as Annexure A.

The Syndicated Debt Facility Agreement to which Beach is a party, requires that where an entity becomes a member of the Beach Group (comprised of Beach and its subsidiaries) (**Beach Group**) it may be required to become a guarantor, to ensure that the following finance covenants are complied with:

- (a) the guarantors contribute not less than 95% of the EBITDA of the Beach Group; and
- (b) the guarantors hold not less than 95% of the Total Assets of the Beach Group,

and, if it becomes a guarantor, provide security over all of its assets and undertaking.

As each of the Specified Drillsearch Subsidiaries will be required to become a guarantor and security provider to ensure that these finance covenants are complied with, the accession of each of the Specified Drillsearch Subsidiaries as a guarantor and security provider may financially assist the acquisition of the share capital in Drillsearch Energy Pty Limited.

3. Effect of the proposed financial assistance

3.1 Effect on the Specified Drillsearch Subsidiaries

The effect that the giving of that financial assistance will have on the financial position of the Specified Drillsearch Subsidiaries is:

- (a) under the proposed Transaction, the Specified Drillsearch Subsidiaries will assume a joint and several liability with Beach and other guarantors for the financial accommodation provided to Beach and Delhi Petroleum Pty Ltd under the Syndicated Debt Facility Agreement or any other finance document. If Beach, Delhi Petroleum Pty Ltd or any other borrower, guarantor or security provider does not comply with its obligations under the Syndicated Debt Facility Agreement or any other finance document then:
 - (i) each finance party will be entitled by way of guarantee and indemnity to claim in whole or in part, the amounts owed by Beach, Delhi Petroleum Pty Ltd or any other borrower, guarantor or security provider under the Syndicated Debt Facility Agreement or other finance documents from the Specified Drillsearch Subsidiaries (and other guarantors);
 - (ii) the Beach Security Trustee will be entitled to enforce securities granted by the Specified Drillsearch Subsidiaries and other security providers and apply the proceeds of enforcement towards repayment of the amounts owed by Beach, Delhi Petroleum Pty Ltd or any other borrower;
- (b) the Specified Drillsearch Subsidiaries will also have to assume other obligations under the finance documents and will have certain restrictions imposed on them including restrictions on the Specified Drillsearch Subsidiary's ability to grant further security over its assets, make distributions to their shareholders and to incur further financial indebtedness; and

- (c) in the view of the directors noted below, positive in the context of all of the relevant transactions relating to Beach's acquisition of the Drillsearch Group and it should not, in the context of all of the relevant transactions, materially prejudice the Company, the Specified Drillsearch Subsidiaries, the group of corporations in which the Company and each Specified Drillsearch Subsidiary is included, the Company's and each Specified Drillsearch Subsidiary's shareholders or their other creditors.

3.2 Effect on the Group

The effect that the giving of that financial assistance will have on the financial position of the group of corporations in which the Company and each Specified Drillsearch Subsidiary is included is:

- (a) in the view of the directors noted below, positive in the context of all of the relevant transactions relating to Beach's acquisition of the Drillsearch Group and it should not, in the context of all of the relevant transactions, materially prejudice the Company, each Specified Drillsearch Subsidiary, the group of corporations in which the Company and each Specified Drillsearch Subsidiary is included, the Company's and each Specified Drillsearch Subsidiary's shareholders or their other creditors, however the directors consider it to be prudent and consistent with good business practice to seek the approval of shareholders of the Company. The lenders under the Syndicated Debt Facility Agreement have also requested that the Company do so;
- (b) the potential advantages of the financial assistance for the Company and the Specified Drillsearch Subsidiaries includes that there is overall benefit to the Beach Group of which the Company and the Specified Drillsearch Subsidiaries are members; and
- (c) the potential disadvantages of the financial assistance, are among others, that the perceived benefits associated with providing it do not ultimately outweigh the detriments. The potential detriments include that the assets of the Company and the Specified Drillsearch Subsidiaries may be applied towards repayment of the obligations of Beach, Delhi Petroleum Pty Ltd or any other borrower, guarantor or security provider. However, the Company considers that these risks are acceptable in the circumstances based on the information available at this time;
- (d) it will allow the Beach Group to meet its financial obligations and continue to pursue its commercial objectives.

4 Directors for and against the resolutions

The following directors voted in favour of the resolution:

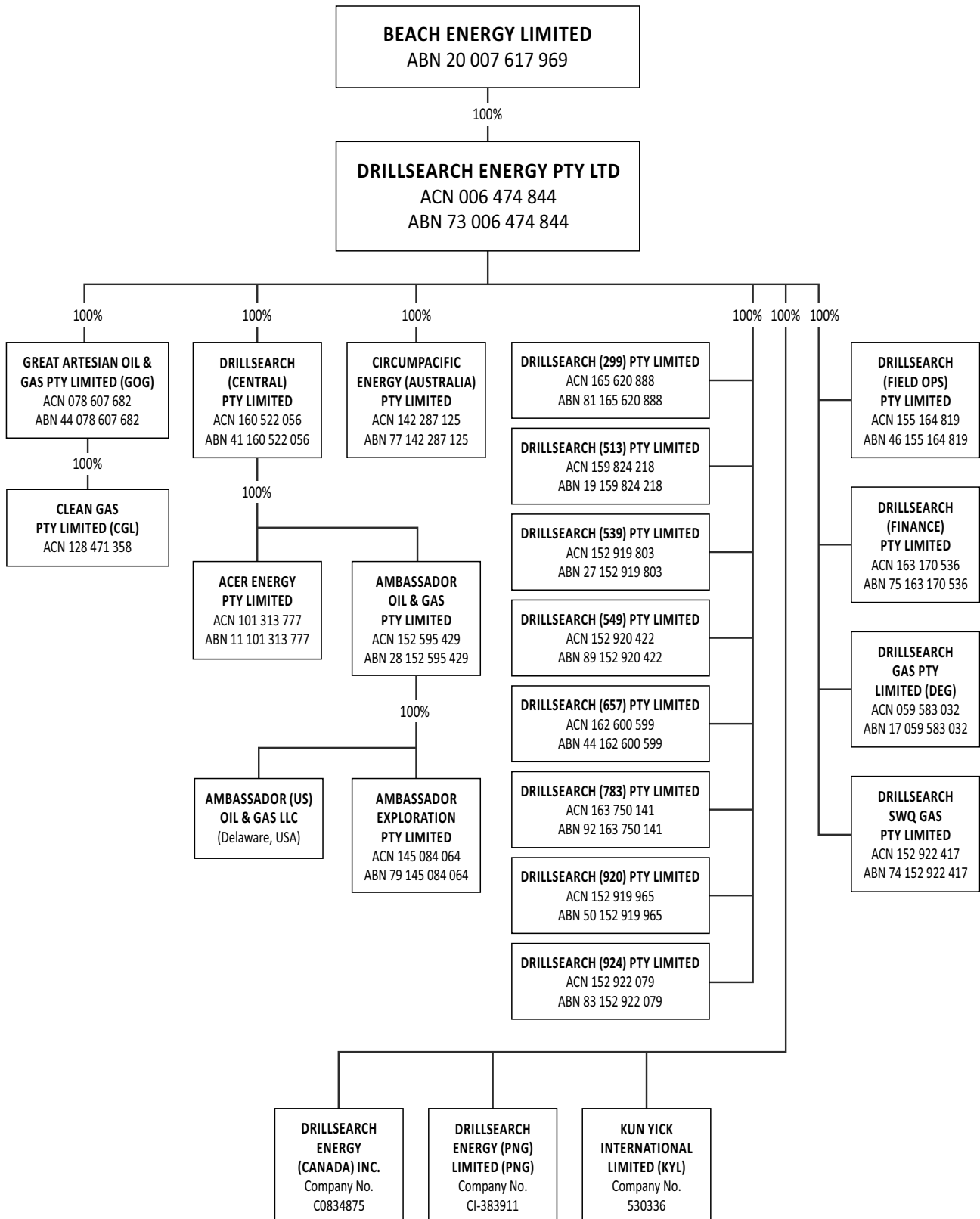
Glenn Davis, Philip Bainbridge, Colin Beckett, Fiona Bennett, James McKerlie, Douglas Schwebel and Ryan Stokes.

The following directors voted against the resolution:

Nil.

Annexure A



Drillsearch Group Structure as at 1 March 2016






Beach Energy Limited
ABN 20 007 617 969

Lodge your vote:

  **Online:**
www.investorvote.com.au




 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
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Proxy Form

  Vote and view the annual report online <ul style="list-style-type: none">• Go to www.investorvote.com.au or scan the QR Code with your mobile device.• Follow the instructions on the secure website to vote.	
Your access information that you will need to vote: Control Number: SRN/HIN: PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.	

 **For your vote to be effective it must be received by 10:30am (Adelaide time) Tuesday 08 November 2016**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Beach Energy Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Beach Energy Limited to be held at the Convention Centre, North Terrace Adelaide South Australia, 5000 on Thursday 10 November 2016 at 10:30am (Adelaide time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Items 1, 6 & 8** (except where I/we have indicated a different voting intention below) even though **Items 1, 6 & 8** are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Items 1, 6 & 8** by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the Abstain box for an item you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

	For	Against	Abstain
1 Adoption of remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of G S Davis as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of P J Bainbridge as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Election of J D McKertie as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Election of R K Stokes as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

6 Renewal of approval of the Beach Executive Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Increase number of directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Remuneration of non-executive directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Approval of financial assistance for acquisition of Drillsearch Energy shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /