HALF YEAR REPORT

FOR THE SIX MONTHS ENDED
31 DECEMBER 2017

INCLUDING: APPENDIX 4D DISCLOSURES

BEACH ENERGY

Beach Energy Limited
(ACN 007 617 969)
(ABN 20 007 617 969)

www.beachenergy.com.au

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APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2017
(RULE 4.2A)

ABN
20 007 617 969

Previous Corresponding Period
31 December 2016

Results for announcement to the market

				$A million
Revenues from ordinary activities	**Increased**	**14%**	**to**	**392.6**
Net profit from ordinary activities after tax (NPAT) attributable to members	**Decreased**	**7%**	**to**	**95.7**
NPAT for the period attributable to members	**Decreased**	**7%**	**to**	**95.7**
Underlying NPAT*	**Increased**	**5%**	**to**	**93.1**

* 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.

Dividends	Amount per Security	Franked amount per Security
Fully franked final dividend paid (on 29 September 2017)	1.00 cent	1.00 cent
Fully franked Interim dividend to be paid	1.00 cent	1.00 cent
Record date for determining entitlements to the interim dividend		9 March 2018
Payment date for interim dividend		30 March 2018

This Half Year Financial Report is to be read in conjunction with the 2017 Annual Report.

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

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	**$0.77**	$0.60

Change in ownership of controlled entities

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

Dividends

	Current Period $million	Previous Corresponding Period $million
Ordinary Securities	**$18.8**	$9.3

None of these dividends are foreign sourced.

Dividend Reinvestment Plan

The board suspended the operation of the Dividend Reinvestment Plan from 21 August 2017 on the basis that this form of capital management is not currently required.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

The directors of Beach Energy Limited (**Beach** or the **Company**) present their report for the half year ended 31 December 2017 and the state of affairs of the Company at that date. The Company's consolidated financial statements for the half year ended 31 December 2017, presented on pages 19–32, form part of this report.

OPERATING RESULTS, REVIEW OF OPERATIONS, STATE OF AFFAIRS AND LIKELY DEVELOPMENTS

Set out below is a summary of the half year financial results:

KEY FINANCIAL RESULTS

		H1 FY18	H1 FY17	Change
Income				
Sales revenue	$m	**385.9**	344.4	**12%**
Total revenue	$m	**392.6**	345.4	**14%**
Cost of sales	$m	**(235.7)**	(240.9)	**2%**
Gross profit	$m	**150.2**	103.5	**45%**
Other income	$m	**20.8**	52.9	**(61%)**
Net profit/(loss) after tax (NPAT)	$m	**95.7**	103.4	**(7%)**
Underlying NPAT*	$m	**93.1**	88.7	**5%**
Dividends paid	cps	**1.00**	0.50	**100%**
Dividends announced	cps	**1.00**	1.00	**0%**
Basic EPS	cps	**4.63**	5.45	**(15%)**
Underlying EPS*	cps	**4.50**	4.76	**(5%)**
Cash flows				
Operating cash flow	$m	**174.3**	154.1	**13%**
Investing cash flow	$m	**(99.0)**	(49.9)	**(98%)**

		As at 31 December 2017	As at 30 June 2017	Change
Financial position				
Net assets	$m	**1,763.7**	1,402.0	**26%**
Cash balance	$m	**552.2**	348.0	**59%**

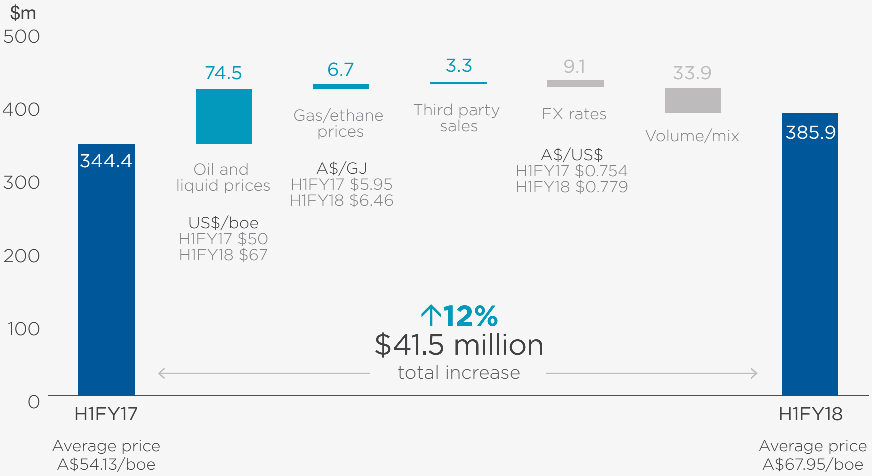
* Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors.

FINANCIAL REVIEW

Revenue

Higher oil and gas prices in H1 FY18 contributed to a 12% increase in sales revenue to $385.9 million ($344.4 million in H1 FY17). Lower volumes and a higher average A$/US$ exchange rate partly offset this increase. Sales revenue from production increased by $38.2 million and third party sales increased by $3.3 million. Sales volumes of 5.7 MMboe were 11% lower than H1 FY17 due to lower oil production and gas sales volumes. The average realised oil price increased to A$88/bbl, up A$21/bbl from H1 FY17, due to a higher US$ oil price but was partly offset by a higher A$/US$ exchange rate.

Sales Revenue Comparison

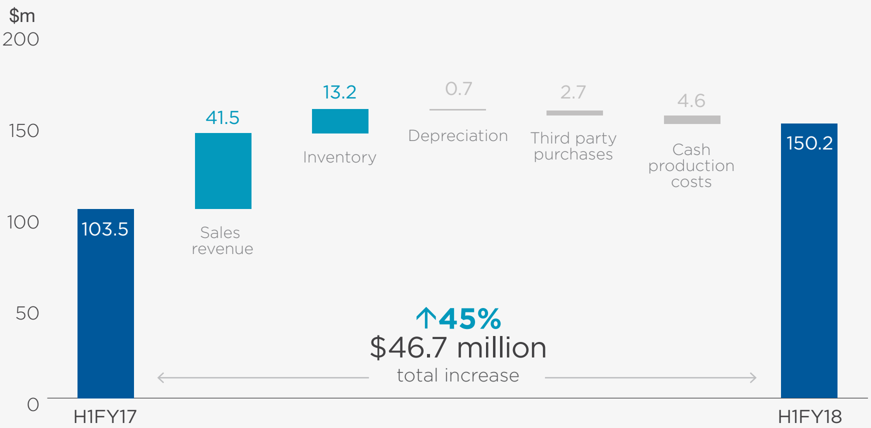


Gross Profit

Gross profit for H1 FY18 of $150.2 million (H1 FY17 $103.5 million) was up 45%. This increase in gross profit was primarily due to higher sales revenue and lower total costs of sales which were down 2% from H1 FY17 to $235.7 million.

The reduction in cost of sales is principally due to a decrease in inventory charges ($13.2 million) partly offset by higher cash production costs ($4.6 million), higher third party purchases ($2.7 million) and higher depreciation and amortisation ($0.7 million). The decrease in inventory charges primarily reflects timing of shipments and drawdown of gas from storage. Cash production costs were up $4.6 million (4%), reflecting higher royalties from the increase in prices. Third party oil and gas purchases were up by $2.7 million due to increased prices.

Gross Profit Comparison



DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Net Profit Result

Other income of $20.8 million, down $32.1 million from H1 FY17, included reversal of restoration provisions ($14.6 million) and a gain on the sale of investments ($5.3 million). In the prior year gains on the sale of Egypt ($41.0 million) and Queensland oil assets ($11.9 million) were recorded.

Other expenses were down to $29.8 million, $24.4 million lower than H1 FY17, due to prior year impairment charges of $33.1 million, partly offset by acquisition costs relating to the Lattice transaction of $9.6 million.

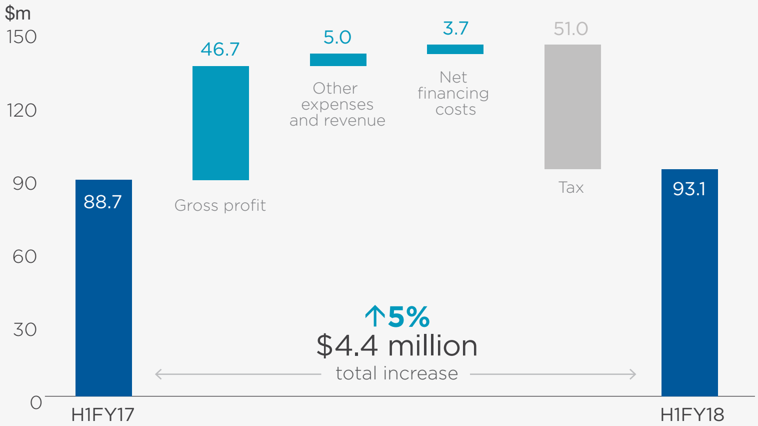
The reported net profit after income tax of $95.7 million is $7.7 million lower than H1 FY17, primarily due to the recognition of a deferred tax asset in the prior year.

By adjusting the H1 FY18 profit to exclude assets sales, acquisition costs, unrealised hedging movements and non-recurring items, Beach's underlying net profit after tax is $93.1 million.

Comparison of underlying profit	H1 FY18 $m	H1 FY17 $m	Movement from PCP $m	
Net profit/(loss) after tax	**95.7**	**103.4**	**(7.7)**	(7%)
Remove acquisition costs	**9.6**	-	9.6	
Remove asset sales	**(5.3)**	(52.9)	47.6	
Remove unrealised hedging movements	**2.6**	5.1	(2.5)	
Remove establishment fees on cancellation of debt facility	**0.8**	-	0.8	
Remove gain on revision of restoration liability	**(14.6)**	-	(14.6)	
Remove impairment of assets	**-**	33.1	(33.1)	
Tax impact of above changes	**0.5**	-	0.5	
Remove provision for international taxes	**3.8**	-	3.8	
Underlying net profit after tax	**93.1**	**88.7**	**4.4**	5%

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



DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

FINANCIAL POSITION

Assets

Total assets increased by $249.0 million to $2,142.1 million during the period.

Cash balances increased by $204.2 million to $552.2 million, primarily due to:

- Cash flow from operations of $174.3 million,
- Cash flow from financing activities of $128.8 million, partly offset by
- Cash flow from investing activities of $99.0 million.

Receivables increased by $63.8 million as a result of higher trade receivables based on timing of shipments along with higher sales accruals from higher prices and volumes. Inventories decreased by $3.2 million.

Fixed assets, petroleum and exploration assets increased by $51.4 million. Capital expenditure of $124.3 million and increases for restoration of $14.7 million were partly offset by depreciation and amortisation of $87.6 million. Available for sale financial assets decreased by $44.4 million, reflecting the sale of the company's interest in Cooper Energy Limited. Deferred tax assets decreased by $23.6 million.

Liabilities

Total liabilities decreased by $112.7 million to $378.4 million, mainly due to the repayment of borrowings of $148.0 million partly offset by higher payables of $14.3 million reflecting higher activity levels and royalty accruals, an increase in tax liabilities of $13.5 million, an increase in restoration provisions of $4.5 million, and an increase in derivative financial instruments of $2.9 million.

Equity

Total equity increased by $361.7 million, primarily due to the equity raising of $301.1 million and net profit after tax of $95.7 million, partly offset by the final dividend of $18.8 million, a decrease in the available for sale reserve of $14.9 million, and costs relating to the equity raising of $3.1 million.

Dividends

During H1 FY18, the Directors declared and paid a 1.0 cent per share fully franked final dividend. The Company will also pay a fully franked interim dividend of 1.0 cent per share for the current financial year.

FY18 FULL YEAR OUTLOOK

During the second half of FY18, Beach will continue to execute its multi-year capital program, integrate the recently acquired Lattice, and ensure uninterrupted focus on day-to-day operations. The multi-year capital program commenced in FY18 and is designed to fully appraise undeveloped reserve and prospective resource potential of the Cooper Basin. It is consistent with Beach's strategy to optimise its core Cooper Basin acreage, and gave confidence to target Beach standalone production of at least 10 MMboe through to the end of FY20, and at least 100% replacement of produced reserves through to the end of FY19. Key objectives for FY18 and activities for the second half are summarised below. Further information in relation to the Lattice asset portfolio capital program is contained in the presentation accompanying this half year report.

- In Beach's Western Flank acreage, participation in up to 28 wells is planned for FY18, including up to 16 exploration wells. The drilling program continues to focus on the core Western Flank oil and gas fairways and aims to provide a foundation for sustained activity and production beyond FY18.
- Broad ranging field development activities will continue in Beach's operated Western Flank acreage to mitigate natural field decline and accelerate production where appropriate. Activities include artificial lift programs, flowline enhancements and ongoing connection of new producers. Phase 1 expansion of the Middleton gas facility is also underway to increase capacity from 25 MMscfd to 40 MMscfd. Engineering work commenced in H1 FY18 and the expansion is expected to be completed in late FY18.
- In Beach's operated Otway Basin acreage, initial production testing of the Haselgrove–3 ST1 gas discovery will be undertaken in Q3 FY18. Testing will provide further understanding of well deliverability and gas composition, and will assist field development planning. Preparation work will also continue for drilling the Dombey–1 gas exploration well following award of a second PACE gas grant by the South Australian Government.
- Within the Cooper Basin JV, Beach continues to work closely with the operator in an ongoing effort to further reduce costs and execute capital programs as efficiently as possible. Results achieved by the operator to date have improved the economics of the Cooper Basin JV's prospect seriatim and led to contracting of an additional rig in Q2 FY18. Beach plans to participate in up to 64 wells, including up to 28 exploration and appraisal wells. This compares with a beginning of year outlook of 49 wells. Key initiatives in FY18 include horizontal oil drilling, targeting higher liquids content gas prospects, and underbalanced in-fill gas drilling.
- Following announcement of the acquisition of Lattice on 28 September 2017, dedicated transition teams were appointed to ensure integration planning and day 1 readiness progressed without disruption to day-to-day operations. Appointments included oversight committees and external specialist resources.

The acquisition financially closed on 31 January 2018 and the leadership team is now focused on successfully integrating the businesses, delivering value from the expanded asset portfolio and continued growth in shareholder value.

- FY18 pro forma production is expected to be within the range of 25.5 – 27.6 MMboe, comprising Beach production of 10.6 – 11.0 MMboe (previously 10.0 – 10.6 MMboe) and Lattice production of 14.9 – 16.6 MMboe (no change). Beach production guidance has been increased due to an increase in expected wells to be drilled and connected, better than expected incremental oil production from Western Flank artificial lift installations, and strong initial production from recent well connections. Lattice operations are performing in line with expectations and production has tracked to budget. Full year production guidance has therefore been maintained.
- FY18 pro forma capital expenditure is expected to be within the range of $405 – 455 million, comprising Beach expenditure of $255 – 285 million (previously $220 – 260 million) and Lattice expenditure of $150 – 170 million (previously $205 – 275 million). Beach capital expenditure guidance has been increased by $25 – 35 million, primarily due to an additional rig contracted within the Cooper Basin JV and participation in an extra 20 wells, more field development activity planned within operated and non-operated Cooper Basin acreage, and onshore Otway Basin production testing following exploration success at Haselgrove–3 STI. Lattice capital expenditure guidance has been reduced by $55 – 105 million, primarily due to prudent value-based deferral of long lead item purchases for the Otway Gas Project, extended review of Waitsia development plans following recent strong flow test results, deferral of Bonaparte Basin 3D seismic acquisition, and a reduction to contingency assumptions.

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

OPERATIONS OVERVIEW

Production performance and drilling activity is summarised below. Further information can be found in Beach's quarterly reports and monthly drilling reports.

PRODUCTION

The Company's oil and gas production in H1 FY18 was derived from the Cooper and Eromanga basins, located in the northeast of South Australia and the southwest of Queensland. Total net production for the period was 5,180 kboe, 7% lower than the prior corresponding period.

Oil production of 2,647 kbbl (net) accounted for approximately 51% of total production and was 14% lower than the prior corresponding period. Natural field decline was partially offset by production from new wells and ongoing field optimisation work, including artificial lift installations and flowline improvements.

Gas and gas liquids production of 2,533 kboe (net) accounted for approximately 49% of total production and was 3% higher than the prior corresponding period. Performance benefited from capacity expansion at the Middleton facility, connection of new wells including new field discoveries in Beach's operated Western Flank gas acreage, and additional wells drilled and connected within the Cooper Basin JV.

PRODUCTION

Cooper and Eromanga Basins	H1 FY17	H1 FY18	% Change
Total Oil (kbbl)	**3,094**	**2,647**	**(14%)**
Sales Gas and Ethane (PJ)	11.7	11.8	1%
LPG (kt)	26.6	30.6	15%
Condensate (kbbl)	235	255	8%
Total Sales Gas and Gas Liquids (kboe)	**2,451**	**2,533**	**3%**
Total Oil and Gas (kboe)	**5,545**	**5,180**	**(7%)**

Cooper Basin

Western Flank Oil – ex PEL 91

(Beach 100%)

Oil production of 1,679 kbbl was 18% lower than the prior corresponding period, with natural field decline partially offset by field development and production optimisation activities and commissioning of the Bauer facility expansion in Q4 FY17. Seven vertical wells and Beach's first Western Flank horizontal well, Bauer–26, were connected. Bauer–26 commenced production in August 2017 at an initial free-flow, water-free rate of approximately 450 bopd. A beam pump was commissioned in mid-December and resulted in incremental daily oil production of approximately 600 bbl. Production optimisation projects included installation of a further five beam pumps, five electric submersible pumps, a flowline connecting the Hanson Field to the Bauer to Lycium pipeline, and completion of the Bauer flowline enhancement project.

Western Flank Oil – ex PEL 92

(Beach 75% and operator, Cooper Energy 25%)

Oil production of 387 kbbl (net) was 7% higher than the prior corresponding period due to connection of five development wells in the Callawonga Field. Callawonga–15, –16 and –18 were brought online as free flow Namur Sandstone producers with initial combined production of up to 1,400 bopd. Callawonga–14 and –17 were brought online in mid-December as McKinlay Member producers following installation of artificial lift.

Western Flank Oil – ex PEL 104 / 111

(Beach 40%, Senex 60% and operator)

Oil production of 196 kbbl (net) was 7% lower than the prior corresponding period. Natural field decline was partially mitigated by connection of the Marauder–1 Birkhead Formation oil discovery, which produced at an initial rate of approximately 650 bopd.

Queensland Oil – ATP 299

(Beach 40%, Santos 60% and operator)

ATP 299 contributed 66 kbbl (net) of oil production, which was 40% lower than the prior corresponding period due to natural field decline.

Western Flank Gas and Gas Liquids – ex PEL 91, ex PEL 106

(Beach 100%)

Gas and gas liquids production from ex PEL 91 and ex PEL 106 of 633 kboe was 33% higher than the prior corresponding period. Production benefited from two new wells brought online in December 2017, Mokami–1 and Crockery–1, and commissioning of compression at the Middleton facility in Q4 FY17, which enabled higher daily gas and gas liquids production rates.

Western Flank Gas and Gas Liquids – ex PEL 513 / 632

(Beach 40%, Santos 60% and operator)

Ex PEL 513 / 632 contributed 51 kboe (net) of sales gas and gas liquids production, 43% lower than the prior corresponding period due to natural field decline.

Cooper Basin JV

(Various non-operated interests)

Sales gas and gas liquids production of 1,849 kboe (net) was 2% lower than the prior corresponding period and oil production of 319 kbbl (net) was 15% lower than the prior corresponding period. Natural field decline was partially offset by drilling efficiencies, prioritisation of well connections and continued innovation in field operations, such as the use of special purpose workover equipment to bring wells back online.

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

DEVELOPMENT

Cooper Basin

Western Flank Oil – ex PEL 91

(Beach 100%)

Beach successfully drilled its first operated horizontal well in the Western Flank. Bauer–26 comprised a lateral section of approximately 400 metres and targeted the McKinlay Member, a thin sandstone overlaying the Namur Sandstone, with accumulations covering areas larger than the Namur fields. The well commenced production in August 2017.

South Australian Oil – Cooper Basin JV

(Fixed Factor Area JV: Beach 20.21%, Santos 66.60% and operator, Origin 13.19%)

A six-well oil development campaign was undertaken in the McKinlay Field. The campaign comprised four horizontal wells and two vertical wells and was designed to develop the McKinlay Member reservoir. Horizontal wells McKinlay–12, –13 and –14 were cased and suspended as future producers and horizontal well McKinlay–15 was suspended as a future producer. The two vertical wells, McKinlay–16 and –17, were cased and suspended as future producers.

A four-well oil appraisal and development campaign was undertaken in the Merrimelia Field. The campaign included two development wells, Merrimelia–65 and Merrimelia–66, which were cased and suspended as future producers. A single oil development well was drilled in the Odonata Field. Odonata–2 was cased and suspended as a future producer.

Queensland Oil – Cooper Basin JV

(Total 66 JV: Beach 30%, Santos 70% and operator)

Development well, Zeus–12, was drilled in the Zeus-Minos-Tennaperra Complex to accelerate production and enhance recoveries from the Birkhead Formation. The well was cased and suspended as a future producer.

(Naccowlah Joint Venture: Beach 38.5%, Santos 55.5% and operator, other partners 6.0%)

The Irtalie East–6 oil development well was drilled as a standalone deviated well and targeted the Birkhead Formation. Irtalie East–6 was cased and suspended as a future producer.

South Australian Gas – Cooper Basin JV

(Fixed Factor Area JV: Beach 20.21%, Santos 66.60% and operator, Origin 13.19%)

A two-well pad development campaign was undertaken in the Jack Lake Field with the aim to access remaining gas in place at field boundaries. Jack Lake–6 and Jack Lake–7 were cased and suspended as future producers. A four-well gas development and appraisal campaign was undertaken in the Namur Field. The campaign consisted of three development wells which were all cased and suspended as future producers.

Queensland Gas – Cooper Basin JV

(Southwest Queensland JV: Beach 23.20%, Santos 60.06% and operator, Origin 16.74%)

A two-well gas development and appraisal campaign was undertaken on the Costa / Judga Complex. The development well of the campaign, Costa–2, was cased and suspended as a future producer. A two-well gas development campaign was undertaken in the Roti Field. Roti–5 and Roti–6 were drilled in the central section of the field and targeted gas reserves in the Epsilon and Patchawarra formations. Both wells were cased and suspended as future producers.

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

EXPLORATION AND APPRAISAL

Cooper Basin

Western Flank Gas – ex PEL 106, ex PEL 91, ex PEL 92, PRL 26

(Beach 100% except for ex PEL 92: Beach 75% and operator, Cooper Energy 25%)

Beach completed the initial phase of its FY18 operated gas exploration campaign, which focused on the Southwest Patchawarra (SWP) and Permian Edge (PE) play fairways.

Four exploration wells, Lowry–1, Crawford–1, Naiko–1 and Largs–1 were drilled in the SWP play fairway. The wells tested stratigraphic traps within the fairway's gas and condensate system and targeted the Patchawarra Formation.

Lowry–1 was cased and suspended as a future producer. Analysis of test results confirmed the well as a new discovery which is not connected to nearby producing fields. Crawford–1 was cased and suspended as a future producer. Reservoir pressure information indicated good permeability and connection to the Brownlow Field, which is expected to enable incremental reserves to be booked and produced. Naiko–1 was cased and suspended as a future producer. Preliminary analysis of test results indicated that Naiko–1 is potentially connected to the Middleton Field, and as pressure is higher than at Middleton, will likely add reserves. Largs–1 intersected reservoir sands of sub-commercial quality and was sidetracked in a north-westerly direction. The sidetrack well, Largs–1 DW1, intersected three gas pay zones and pressure data confirmed the shallowest gas sand to be a new field discovery. The well was cased and suspended as a future producer.

Two wells were drilled in the PE play fairway, Louth–1 and Squeaky–1. Louth–1 was drilled in ex PEL 92, approximately five kilometres west of the Mokami discovery. The well was drilled to test the most westerly extension of the PE play fairway, which is a relatively underexplored western pinch-out of the Patchawarra Formation.

Despite encouraging gas shows, reservoir quality was deemed insufficient for commerciality and the well was plugged and abandoned. The initial phase of the campaign was completed with exploration well Squeaky–1. The well was drilled in ex PEL 91 and targeted a stratigraphic prospect. Despite moderate gas shows, gas pay of sub-commercial quality was interpreted and the well was plugged and abandoned.

South Australia Gas – Cooper Basin JV

(Fixed Factor Area Joint Venture: Beach 20.21%, Santos 66.60% and operator, Origin 13.19%)

The appraisal well of the previously mentioned four-well Namur Field gas development and appraisal campaign, Namur–7, was cased and suspended as a future producer. A two-well gas appraisal campaign targeting the Coorikiana Sandstone in the Namur Field was undertaken. The Coorikiana Sandstone was unproven in the Namur Field, however was supported by gas shows and reservoir intersections comparable to those observed in nearby fields. Namur–5 and Namur–6 were cased and suspended as future producers.

Koree South–2 was drilled as a standalone gas well to appraise potentially liquids-rich sands in the upper Patchawarra Formation, and to accelerate production from sands in the lower Patchawarra Formation. Koree South–2 was cased and suspended as a future producer. Caraka–3 was drilled as a standalone gas appraisal well and was cased and production tested, however, rates were considered insufficient for completion and connection. Gooranie–1 DW1 was drilled as a deep coal directional gas appraisal well and was unable to evaluate its primary objective and was plugged and abandoned.

Queensland Gas – Cooper Basin JV

(Southwest Queensland Joint Venture: Beach 23.2%, Santos 60.06% and operator, Origin 16.74%)

The final well of a six-well near-field gas exploration campaign in southwest Queensland was drilled. Okotoko North–1 tested a four-way dip closure analogous to those in neighbouring producing fields. The well was cased and suspended as a future producer. The appriasial well, Judga–4, of the two-well gas development and appraisal campaign undertaken on the Costa / Judga Complex, tested the northern extent of the Judga Field and was cased and suspended.

Western Flank Oil – ex PEL 91

(Beach 100%)

Beach undertook the initial phase of its FY18 operated Birkhead oil exploration and appraisal campaign. The Birkhead Formation is a proven oil reservoir in Western Flank fields, however has not been subjected to play-wide, focused exploration and appraisal. The FY18 program aims to establish commerciality and size of existing discoveries, appraise field extensions, discover new accumulations and design cost effective development programs.

The first vertical exploration well, Donington–1, was drilled to appraise a potential southern extension of the Kangaroo–1 discovery. The well intersected oil shows in the Birkhead Formation, however reservoir quality was insufficient for commerciality. The well was subsequently side-tracked to target seismic attributes further north. Similar reservoir quality was encountered and the well was plugged and abandoned. The second vertical well of the campaign, Goldsmith–1, was drilled to test a potential northern extension of the Kangaroo Field. Oil shows were intersected in the target interval, however low reservoir quality resulted in side-tracking of the well approximately 400 metres west of the original target. The side-track did not intersect reservoir in the target interval and Goldsmith–1 was subsequently plugged and abandoned. Goldsmith–1 and Donington–1 were designed to test the true up-side of the Kangaroo Field. Based on their results, future drilling will focus on the lower risk area in closer proximity to the Kangaroo Field.

The second well of a two-well oil appraisal campaign was completed in the Chiton Field. Chiton–5 was plugged and abandoned due to lack of commercial pay.

Western Flank Oil – ex PEL 104 / 111

(Beach 40%, Senex 60% and operator)

The Marauder–1 oil exploration well discovered a new field approximately two kilometres north of the producing Growler and Spitfire fields. The well encountered oil shows within the target Birkhead Formation. Marauder–1 commenced production in Q1 FY18.

Martlet North–2 was drilled as a deviated oil appraisal well targeting a Namur Sandstone accumulation and was plugged and abandoned due to lack of commercial pay.

South Australian Oil – Cooper Basin JV

(Fixed Factor Area JV: Beach 20.21%, Santos 66.60% and operator, Origin 13.19%)

The previously mentioned four-well oil appraisal and development campaign in the Merrimelia Field included two appraisal wells. Merrimelia–63 and Merrimelia–67 were cased and suspended as future producers. A two-well near field oil exploration campaign was undertaken using the Ensign 950 shallow rig to assess near field exploration opportunities that might not have been economic with other drill rigs. Warumpi–1 and Isoptera–1 were cased and suspended as future producers.

Queensland Oil – ATP 299P Tintaburra JV

(Beach 40%, Santos 60% and operator)

A four-well oil campaign commenced to appraise the Kooroopa, Mulberry and Takyah fields in southwest Queensland. Mulberry–37 targeted the Birkhead Formation to assess the remaining potential of the Mulberry Field. The well was cased and suspended and is being assessed as a water injector to assist with future field production. Takyah–3 targeted the Birkhead Formation and was cased and suspended as a future producer.

Queensland Oil – Cooper Basin JV

(Total 66 JV: Beach 30%, Santos 70% and operator)

Two appraisal wells were drilled in the Zeus-Minos-Tennaperra Complex. Zeus–11 and Tennaperra–5 were cased and suspended as future producers.

Other Australia

South Australian Gas – PPL 62

(Beach 100%)

Haselgrove–3 ST1 was drilled in the onshore Otway Basin as a deviated well to a total measured depth of 4,331 metres and targeted the Sawpit Sandstone and shallower Pretty Hill Sandstone. On 11 January 2018, Beach announced Haselgrove–3 ST1 as a new gas field discovery. The well intersected an estimated gross gas column of 104 metres TVT in the Sawpit Sandstone, with estimated net pay of 25.6 metres TVT. An estimated gross gas column of 11.6 metres TVT was also intersected in the shallower Pretty Hill Sandstone, with estimated net pay of 8.5 metres TVT.

Initial testing of the Sawpit Sandstone was undertaken to enable preliminary assessment of well deliverability and gas composition. A cased hole test was undertaken over the 4,023 – 4,185 metre interval and flowed gas at a rate of 25 MMscfd sustained over a 100 minute period through a 36/64" choke and at 2,700 psig well head pressure. Flow rates were constrained to 25 MMscfd due to the size of completion tubing (2 7/8"). Early indications suggest the Sawpit Sandstone could flow at rates greater than 25 MMscfd. Preliminary gas sample analysis indicates low inert content, which should minimise gas processing requirements. An IPT in Q3 FY18 is planned to confirm well deliverability and gas composition, and assist with field development planning.

DRILLING RESULTS

Beach participated in 48 wells at a success rate of 83%. This represents a doubling of wells drilled relative to the prior corresponding period, underpinned by further drilling efficiencies, faster drill times and commencement of a third rig within the Cooper Basin JV. The well count includes an additional 17 exploration and appraisal wells relative to the prior corresponding period due to increased activity within Beach's operated Western Flank gas acreage, and a rejuvenated oil appraisal focus within the Cooper Basin JV.

DRILLING RESULTS – H1 FY18

Basin	Category	Wells	Successes	Success Rate
Cooper / Eromanga	Oil – Exploration	5	3	60%
	Oil – Appraisal	8	6	75%
	Oil – Development	12	12	100%
	Gas – Exploration	7	5	71%
	Gas – Appraisal	7	5	71%
	Gas – Development	8	8	100%
Otway	Gas – Exploration	1	1	100%
	Total Wells	**48**	**40**	**83%**
	All Exploration Wells	13	9	69%
	All Appraisal Wells	15	11	73%
	All Development Wells	20	20	100%

CORPORATE AND COMMERCIAL

Acquisition of Lattice Energy

On 28 September 2017, Beach announced that it had entered into a binding agreement to acquire Lattice for $1,585 million, a transformational acquisition which directly aligns with Beach's strategy. On 31 January 2018, Beach announced financial close of the acquisition. The transaction will deliver a step-change in production and reserves, diversity across production hubs and gas processing infrastructure, and an expanded asset portfolio with significant optionality and value creating growth opportunities.

The acquisition was funded through existing cash reserves, new debt facilities and a $301 million 3 for 14 pro-rata accelerated non-renounceable entitlement offer. On 2 October 2017, Beach announced that the accelerated institutional entitlement offer had been completed with a near record take-up rate of over 98%. On 19 October 2017, Beach announced that the retail entitlement offer had been successfully completed and was strongly supported by eligible shareholders.

New executive appointments and leadership structure

On 31 January 2018, Beach announced new executive appointments and a functional leadership structure, which follow an extensive recruitment process undertaken as part of preparations for the acquisition of Lattice. The new appointments bring to Beach upstream oil and gas expertise, leading global energy company experience, and extensive offshore operations exposure. Beach's executive structure is summarised below and further details are contained in the announcement of 31 January 2018.

Beach Energy Executive Leadership Team	
Chief Executive Officer	Matt Kay
Operations	
Chief Operating Officer	Dawn Summers[1]
Group Executive Exploration and Appraisal	Jeffrey Schrull
Group Executive Development	Geoff Barker[2]
Group Executive Health, Safety, Environment and Risk	Brett Doherty[2]
Corporate and commercial	
Chief Financial Officer	Morné Engelbrecht
General Counsel and Company Secretary	Cathy Oster
Group Executive Corporate Strategy and Commercial	Lee Marshall[3]

1. Commenced 1 February 2018
2. Commencing 19 February 2018
3. Commenced 15 January 2018

Portfolio rationalisation

Beach reviews its portfolio of assets on an ongoing basis to ensure assets align with the company's growth strategy and shareholder value objectives. Accordingly, Beach entered into agreements for divestment or exit from various permits, as noted below.

- Beach entered into an agreement with Australian Gasfields Limited for the sale of oil exploration permits PL 184 and ATP 932. Completion by the end of Q3 FY18 is expected, subject to satisfaction of various conditions precedent.
- Beach gave notice of its withdrawal from PEP 150 in the onshore Otway Basin, Victoria. Completion is subject to finalisation of assignment documentation.
- NOPTA approved the transfer of Beach's interest in WA–48–R in the Carnarvon Basin to an existing joint venture partner.

Execution of North West Shelf farm-in and call option agreements with Cue Energy

On 29 November 2017, Beach announced that it had entered into binding agreements with Cue Exploration Pty Ltd, a 100% owned subsidiary of Cue Energy (ASX:CUE) to acquire, subject to terms and conditions, equity in North West Shelf exploration permits WA–359–P and WA–409–P in the Carnarvon Basin, offshore Western Australia.

WA–359–P and WA–409–P are adjoining exploration permits which contain the giant Ironbark gas-condensate prospect. Ironbark is a Mungaroo Formation structural closure that covers an area of approximately 400 square kilometres, and is defined by high-quality 3D seismic data. The Ironbark prospect is interpreted to have reservoirs of similar age to nearby giant fields such as Gorgon and Goodwyn. A discovery at Ironbark could result in a multi-Tcf gas field.

Beach will acquire a 21% equity interest in WA–359–P in exchange for a one-off payment to Cue Energy of $900,000 for past costs, and future payments equating to 4% of Cue Energy's cost of drilling the Ironbark–1 exploration well within the permit. The agreement is subject to the following conditions precedent:

- BP exercising its option to acquire a 42.5% equity interest in WA–359–P. BP has until 25 April 2018 to exercise its option, unless extended. Refer to announcements by Cue on 13 December 2017 for further information.
- Formation of a Joint Venture and associated Joint Operating Agreement with full funding for the Ironbark–1 exploration well.
- Permit holders obtaining an extension to the current permit expiry date of 25 April 2018, to allow satisfactory timing for planning and drilling of the Ironbark–1 exploration well.
- Other terms, conditions and approvals customary for transactions of this nature.

In relation to WA–409–P, Beach has acquired for nominal consideration a call option over a 7.5% equity interest in the permit. If exercised, Beach will make future payments equating to 7.5% of Cue Energy's cost of drilling an exploration well within the permit (timing to be confirmed), and pay Cue Energy a 10% royalty on all future revenue earned by Beach from the permit. The option may be exercised until 31 July 2019. Further details are contained in the announcement of 29 November 2017.

New gas sales agreements with Adelaide Brighton and Alinta Energy

Beach executed new GSAs with Adelaide Brighton Cement Ltd, a wholly owned subsidiary of Adelaide Brighton Ltd (ASX: ABC), and Alinta Energy for the supply ex-Moomba of processed sales gas from Beach's 100% owned Western Flank acreage.

Under the terms of the GSAs, Beach will supply these customers up to a total of 4 PJ of sales gas at pricing reflective of current market conditions over an initial 12 month period commencing 1 January 2018. Gas sales pricing is attractive relative to Beach's current weighted average realised gas price. Associated LPG and condensate production from Beach's Western Flank acreage will continue to be sold to the Cooper Basin JV. Further details are contained in the announcement of 5 December 2017.

PACE gas grant awarded to drill a conventional exploration well in the Otway Basin

Beach commenced preparations for drilling a conventional onshore gas exploration well in the Penola Trough, Otway Basin in South Australia. Beach will be supported by the South Australian Government through the PACE gas grant scheme, which aims to bring new gas to market within three years.

Dombey–1 will be drilled in PEL 494 (Beach 70% and operator, Cooper Energy 30%). The well is expected to be drilled approximately 20 kilometres west of Penola and proximate to Beach's Katnook facility and pipeline network, and the SEA Gas transmission system. The well will target conventional gas and gas liquids in the Pretty Hill Formation, a proven gas producing formation. It will also target the Sawpit Sandstone which recently flowed gas on test at Haselgrove–3 ST1. Dombey–1 is expected to be drilled in FY19 and will not be fracture stimulated.

Depending on the scope of well design and evaluation program, the $6.89 million PACE grant is expected to cover 50% of the estimated drilling and testing costs. Under the terms of the PACE grant, if a discovery is deemed to be commercial, Beach will enter bilateral negotiations with prospective South Australian customers for supply of gas from Dombey–1 at prevailing market terms. Further details are contained in the announcement of 19 December 2017.

Further Otway and Bass basin interests to be acquired

Beach entered into binding agreements with Toyota Tsusho to acquire its interests in the Otway Gas Project and BassGas Project (collectively the "Transaction"). The Otway Gas Project includes production from the Thylacine and Geographe offshore gas fields, the Thylacine well head platform and the onshore Otway gas plant. The BassGas Project includes the Yolla offshore gas field, the BassGas pipeline and onshore Lang Lang gas plant, and various exploration permits and retention licenses.

Beach will acquire Toyota Tsusho's 5% stake in the Otway Gas Project and 11.25% stake in the BassGas Project for cash consideration, to be funded from Beach's existing cash reserves. The purchase price remains confidential, however is consistent with pricing parameters of recent comparable transactions within the sector. The Transaction is subject to standard conditions precedent including relevant third party consents. Completion is expected in early 2018 with an effective date of 1 January 2017 for the Otway Gas Project interest and 1 July 2017 for the BassGas interests.

Following completion of the acquisition of Lattice (refer Beach announcement of 31 January 2018) and assuming successful completion of the transaction with Toyota Tsusho, Beach will hold a 100% interest in the Otway Gas Project, a 53.75% interest in BassGas producing assets, and a 50.25% in BassGas exploration permits. Full control of the Otway Gas Project will allow Beach to optimise future work programs efficiently as it progresses with the next phase of activities in the region. Further details are contained in the announcement of 21 December 2017.

Directors

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

Glenn Stuart Davis
INDEPENDENT NON-EXECUTIVE CHAIRMAN
LLB, BEc, FAICD

Colin David Beckett
INDEPENDENT NON-EXECUTIVE DIRECTOR AND DEPUTY CHAIRMAN
FIEA, MICE, GAICD

Philip James Bainbridge
INDEPENDENT NON-EXECUTIVE DIRECTOR
BSc (Hons)(Mechanical Engineering), MAICD

James David McKerlie
INDEPENDENT NON-EXECUTIVE DIRECTOR
BEc, Dip Fin Mgt, FCA, FAICD

Ryan Kerry Stokes
NON-EXECUTIVE DIRECTOR
BComm, FAIM

Richard Joseph Richards
NON-EXECUTIVE DIRECTOR
BComm/Law (Hons), LLM, MAppFin

Peter Moore (appointed 1 July 2017)
INDEPENDENT NON-EXECUTIVE DIRECTOR
PhD, BSc (Hons), MBA, GAICD

Fiona Rosalyn Vivienne Bennett (retired 23 November 2017)
INDEPENDENT NON-EXECUTIVE DIRECTOR
BA(Hons), FCA, FAICD, FIML

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 Half Year Financial Report have been rounded to the nearest hundred thousand dollars, unless shown otherwise.

Events occurring after the balance date

Other than completion of the Lattice transaction including Lattice's purchase of the Benaris' interest in the Otway Gas Project, there has not been in the period since 31 December 2017 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, Ernst & Young, to provide the directors of Beach with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is made on page 17 and forms part of this Directors' Report.

Dated at Adelaide this 19th day of February 2018 and signed in accordance with a resolution of the directors.

G S Davis
Chairman

AUDITOR INDEPENDENCE DECLARATION

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Auditor's Independence Declaration to the Directors of Beach Energy Limited

As lead auditor for the review of Beach Energy Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

This declaration is in respect of Beach Energy Limited and the entities it controlled during the financial period.

Ernst & Young

Anthony Jones
Partner
Adelaide
19 February 2018

HALF YEAR FINANCIAL REPORT

OF BEACH ENERGY LIMITED AND CONTROLLED ENTITIES
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		CONSOLIDATED	
	Note	Dec 2017 $million	Dec 2016 $million
Sales revenue	3(a)	**385.9**	344.4
Cost of sales	4(a)	**(235.7)**	(240.9)
Gross profit		**150.2**	103.5
Other revenue	3(b)	**6.7**	1.0
Other income	3(c)	**20.8**	52.9
Other expenses	4(b)	**(29.8)**	(54.2)
Operating profit before net financing costs		**147.9**	103.2
Interest income	4(c)	**4.6**	3.0
Finance expenses	4(c)	**(9.8)**	(11.1)
Profit before income tax expense		**142.7**	95.1
Income tax (expense)/benefit	5	**(47.0)**	8.3
Net profit after income tax expense		**95.7**	103.4
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net change in fair value of available for sale financial assets		**–**	9.0
Net loss on translation of foreign operations		**–**	(0.3)
Other comprehensive income net of tax		**–**	8.7
Total comprehensive income after tax		**95.7**	112.1
Basic earnings per share (cents per share)	17	**4.63**	5.45
Diluted earnings per share (cents per share)	17	**4.61**	5.44

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	CONSOLIDATED Dec 2017 $million	June 2017 $million
Current assets			
Cash and cash equivalents		**552.2**	348.0
Receivables		**179.8**	116.0
Inventories		**46.9**	50.1
Derivative financial instruments		**0.6**	0.6
Other		**6.1**	5.5
Assets held for sale	18	**1.7**	1.7
Total current assets		**787.3**	521.9
Non-current assets			
Available for sale financial assets		**–**	44.4
Property, plant and equipment	8	**413.2**	427.4
Petroleum assets	9	**588.1**	558.8
Exploration and evaluation assets	10	**291.5**	255.2
Deferred tax assets		**55.7**	79.3
Derivative financial instruments		**0.3**	0.2
Other financial assets		**6.0**	5.9
Total non-current assets		**1,354.8**	1,371.2
Total assets		**2,142.1**	1,893.1
Current liabilities			
Payables		**80.8**	66.5
Employee entitlements		**5.4**	5.2
Provisions		**30.6**	43.4
Tax liabilities		**23.6**	10.1
Derivative financial instruments		**3.4**	0.6
Liabilities held for sale	18	**0.4**	0.4
Total current liabilities		**144.2**	126.2
Non-current liabilities			
Employee entitlements		**1.4**	1.4
Provisions		**232.2**	215.0
Derivative financial instruments		**0.6**	0.5
Borrowings		**–**	148.0
Total non-current liabilities		**234.2**	364.9
Total liabilities		**378.4**	491.1
Net assets		**1,763.7**	1,402.0
Equity			
Issued capital	7	**1,857.4**	1,558.5
Reserves		**218.1**	232.2
Accumulated losses		**(311.8)**	(388.7)
Total equity		**1,763.7**	1,402.0

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

For the half year ended 31 December 2017	Issued Capital $million	Accumulated Losses $million	Reserves $million	Total Equity $million
1 July 2017 – opening balance	1,558.5	(388.7)	232.2	1,402.0
Profit after tax for the period	–	95.7	–	95.7
Other comprehensive income	–	–	–	–
Total comprehensive income	–	95.7	–	95.7
Shares issued	301.1	–	–	301.1
Equity raising costs (net of tax)	(3.1)	–	–	(3.1)
Shares issued under the terms of the Employee Share Purchase Plan	0.9	–	–	0.9
Final dividend paid	–	(18.8)		(18.8)
Sale of available-for-sale financial assets	–	–	(14.9)	(14.9)
Increase in share based payments reserve – incentive rights	–	–	0.8	0.8
Transactions with owners	298.9	(18.8)	(14.1)	266.0
31 December 2017 – closing balance	1,857.4	(311.8)	218.1	1,763.7

For the half year ended 31 December 2016	Issued Capital $million	Accumulated Losses $million	Reserves $million	Total Equity $million
1 July 2016 – opening balance	1,548.7	(757.5)	283.3	1,074.5
Profit after tax for the period	–	103.4	–	103.4
Other comprehensive income	–	–	8.7	8.7
Total comprehensive income	–	103.4	8.7	112.1
DRP issue for final dividend	2.3	–	–	2.3
Shares issued under the terms of the Employee Share Purchase Plan	1.3	–	–	1.3
Final dividend paid from profit reserve	–	–	(9.3)	(9.3)
Sale of foreign operations	–	–	(53.7)	(53.7)
Increase in share based payments reserve – incentive rights	–	–	0.5	0.5
Decrease in share based payments reserve – forfeiture of incentive rights	–	–	(0.4)	(0.4)
Transactions with owners	3.6	–	(62.9)	(59.3)
31 December 2016 – closing balance	1,552.3	(654.1)	229.1	1,127.3

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	CONSOLIDATED	
	Dec 2017 $million	Dec 2016 $million
Cash flows from operating activities		
Receipts from oil and gas operations	**359.1**	349.4
Payments to suppliers and employees	**(188.6)**	(200.8)
Interest received	**5.4**	2.5
Financing costs	**(2.9)**	(4.1)
Derivative payments received	**–**	3.3
Income tax (paid)/refund	**(6.1)**	2.7
Other receipts	**7.4**	1.1
Net cash provided by operating activities	**174.3**	154.1
Cash flows from investing activities		
Proceeds from sale of non-current assets	**1.7**	0.1
Proceeds from sale of investments	**32.5**	–
Purchase of investments	**–**	(2.0)
Payments for property, plant and equipment	**(10.6)**	(18.7)
Payments for petroleum assets	**(78.2)**	(33.1)
Payments for exploration	**(50.9)**	(18.6)
Proceeds from government grant	**6.6**	–
Deposit received for sale of joint venture interests	**0.9**	–
Sale of joint venture interests	**–**	0.8
Deposit paid for acquisition of joint venture interests	**(1.0)**	–
Sale of subsidiary, net of cash disposed	**–**	21.6
Net cash used by investing activities	**(99.0)**	(49.9)
Cash flows from financing activities		
Proceeds from issue of shares	**301.1**	–
Costs associated with issue of shares	**(4.3)**	–
Proceeds from employee incentive loans	**0.8**	1.2
Repayment of debt	**(150.0)**	–
Dividends paid	**(18.8)**	(7.0)
Net cash provided/(used) by financing activities	**128.8**	(5.8)
Net increase in cash held	**204.1**	98.4
Cash at the beginning of the half year	**348.0**	199.1
Effect of exchange rate changes on the balances of cash held in foreign currencies	**0.1**	0.7
Cash at the end of the half year	**552.2**	298.2

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

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 1 Reporting entity

Beach Energy Limited (**Beach** or the **Company**) is a company domiciled in Australia. The Half Year Financial Report of the Company for the six months ended 31 December 2017 comprises the Company and its controlled entities (together referred to as the **Group**).

The 2017 Annual Report is available upon request from the Company's registered office at 25 Conyngham Street, Glenside, 5065 South Australia or at *www.beachenergy.com.au*.

Note 2 Basis of preparation of Half Year Financial Report

The Half Year Financial Report for the six months ended 31 December 2017 is a general purpose report prepared in accordance with Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. It is intended to provide users with an update on the latest annual financial statements of the Group and as such they do not include full disclosures of the type normally included in the annual report. It is recommended that they be read in conjunction with the 2017 Annual Report and any public announcements made by Beach during the half year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The Half Year Financial Report for the six months ended 31 December 2017 has been prepared in accordance with the accounting policies adopted in the 2017 Annual Report and have been consistently applied by the entities in the Group.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

The Half Year Financial Report for the six months ended 31 December 2017 was approved and authorised for issue by the Board of directors on 19 February 2018.

Note 3 Revenue and other income

	CONSOLIDATED	
	Dec 2017 $million	Dec 2016 $million
(a) Sales revenue		
Crude oil	**253.4**	224.9
– sales gas and ethane	**79.4**	86.7
– liquified petroleum gas	**26.2**	12.4
– condensate	**26.9**	20.4
Gas and gas liquids	**132.5**	119.5
Total sales revenue	**385.9**	344.4
(b) Other revenue		
– other	**6.7**	1.0
Total revenue	**392.6**	345.4
(c) Other income		
– gain on sale of non-current assets	**0.7**	–
– gain on sale of investments	**5.3**	–
– gain on revision of restoration provision	**14.6**	–
– gain on sale of subsidiary	**–**	41.0
– gain on sale of joint venture interests	**–**	11.9
– foreign exchange gains	**0.2**	–
Total other income	**20.8**	52.9

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 4 Expenses

	CONSOLIDATED	
	Dec 2017 $million	Dec 2016 $million
(a) Cost of sales		
– operating costs	**91.5**	91.9
– royalties	**33.6**	28.6
Total cash production costs	**125.1**	120.5
– depreciation and amortisation	**86.6**	85.9
– third party oil and gas purchases	**22.0**	19.3
– change in inventories	**2.0**	15.2
Total cost of sales	**235.7**	240.9
(b) Other expenses		
Impairment		
– impairment of exploration and evaluation expenditure	**–**	30.0
– impairment of property, plant and equipment	**–**	3.1
Total impairment loss	**–**	33.1
Other		
– net employee benefits expense	**11.5**	11.1
– corporate development costs	**1.8**	3.1
– acquisition costs	**9.6**	–
– loss on commodity hedging	**2.6**	1.8
– foreign exchange losses	**–**	0.2
– depreciation of property, plant and equipment	**1.0**	1.3
– corporate costs	**3.3**	3.6
Other expenses	**29.8**	21.1
Total other expenses	**29.8**	54.2
(c) Net financing expenses		
– financing costs	**3.1**	2.1
– interest expense	**1.6**	2.7
– discount unwinding on provision for restoration	**5.1**	6.3
Total finance expenses	**9.8**	11.1
– interest income	**(4.6)**	(3.0)
Net financing expenses	**5.2**	8.1

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 5 Income tax

	CONSOLIDATED Dec 2017 $million	Dec 2016 $million
(a) Reconciliation of income tax expense/(benefit) calculated on operating profit to income tax charged in the statement of profit or loss		
Operating profit	**142.7**	95.1
Income tax expense calculated at 30 cents in the dollar	**42.8**	28.5
Adjustment to income tax expense due to:		
– share based payments	**0.2**	–
– prior year under/(over) provision	**3.2**	(8.3)
– sale of investments	**(1.6)**	–
– derecognise capital losses	**2.3**	–
– international tax losses not recognised	**0.1**	0.7
– sale of Egypt interests	**–**	(12.3)
– recognition of deferred tax asset	**–**	(16.9)
Income tax expense/(benefit)	**47.0**	(8.3)
(b) Reconciliation of income tax expense/(benefit) calculated on net profit to income tax charged in the statement of profit or loss		
Current tax	**19.8**	(8.3)
Deferred tax	**27.2**	–
Income tax expense/(benefit)	**47.0**	(8.3)

Note 6 Dividends

	CONSOLIDATED Dec 2017 $million	Dec 2016 $million
Final dividend of 1.0 cent per fully paid ordinary share declared on 21 August 2017 and paid on 29 September 2017.	**18.8**	–
Final dividend of 0.5 cent per fully paid ordinary share declared on 29 August 2016 and paid on 30 September 2016.	**–**	9.3
	18.8	9.3

Note 7 Equity securities issued

	CONSOLIDATED	
	Dec 2017 $million	Jun 2017 $million
(a) Movement in share capital		
Balance at beginning of period	**1,558.5**	1,548.7
Shares issued on equity raising (net of costs)	**298.0**	–
Repayment of employee loans and sale of employee shares	**0.9**	1.8
Shares issued under the terms of the dividend reinvestment plan	**–**	8.0
Balance at end of period	**1,857.4**	1,558.5

	Number	Number
(b) Movement in fully paid ordinary shares		
Balance at beginning of period	**1,873,812,484**	1,860,704,532
Rights issue (3 for 14 pro-rata entitlement offer)	**401,543,843**	–
Shares issued on vesting of unlisted employee performance rights	**799,344**	643,536
Shares issued under the terms of the dividend reinvestment plan	**–**	12,464,416
Balance at end of period	**2,276,155,671**	1,873,812,484
(c) Movement in unlisted Long Term Incentive Rights		
Balance at beginning of period	**6,820,796**	6,814,929
Issued during the period	**3,151,167**	2,964,391
Converted to shares on vesting	**(799,344)**	(643,536)
Cancelled during the period	**(87,928)**	(2,314,988)
Balance at end of period	**9,084,691**	6,820,796

Employee Rights

During the period, Beach issued 1,122,117 unlisted rights pursuant to the Executive Incentive Plan for the 2016 short term incentive offer. 561,057 of the unlisted performance rights vest on 1 July 2018 and 561,060 vest on 1 July 2019 subject to the holder of the rights remaining employed with Beach on the vesting dates. Beach also issued 2,029,050 Long Term Incentive unlisted rights under the Executive Incentive plan. These rights, which expire on 30 November 2022, are exercisable for nil consideration and are not exercisable before 1 December 2020. Further details of the Executive Incentive Plan are detailed in the 2017 Annual Report.

Note 8 Property, plant and equipment

	CONSOLIDATED	
	Dec 2017 $million	Jun 2017 $million
Balance at beginning of period	**427.4**	430.9
Additions	**9.8**	29.1
Reclassification to assets held for sale	**–**	0.7
Depreciation expense	**(27.6)**	(57.8)
Transfer from petroleum assets	**3.6**	–
Impairment reversal on property, plant and equipment	**–**	24.7
Disposals	**–**	(0.2)
Balance at end of period	**413.2**	427.4

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 9 Petroleum assets

	CONSOLIDATED	
	Dec 2017 $million	Jun 2017 $million
Balance at beginning of period	**558.8**	418.9
Additions	**71.1**	75.5
Increase/(decrease) in restoration	**14.7**	(32.5)
Transfer from exploration and evaluation expenditure	**7.1**	68.1
Transfer to property, plant and equipment	**(3.6)**	–
Reclassification to assets held for sale	**–**	20.3
Impairment reversal on petroleum assets	**–**	122.2
Amortisation expense	**(60.0)**	(113.7)
Balance at end of period	**588.1**	558.8

Note 10 Exploration and evaluation assets

	CONSOLIDATED	
	Dec 2017 $million	Jun 2017 $million
Balance at beginning of period	**255.2**	319.6
Additions	**43.4**	51.5
Increase in restoration	**–**	5.1
Transfer to petroleum assets	**(7.1)**	(68.1)
Impairment of exploration and evaluation expenditure	**–**	(38.3)
Reclassification to assets held for sale	**–**	(1.6)
Disposal of joint venture interest	**–**	(13.0)
Balance at end of period	**291.5**	255.2

Note 11 Finances and borrowings

As at 31 December 2017, Beach had a $250 million secured corporate debt facility comprising a $200 million five year revolving general facility and a $50 million letter of credit facility. In September 2017, Beach repaid $150 million of outstanding debt from existing cash reserves. In November 2017, Beach voluntarily cancelled the $200 million three year revolving general facility and $100 million three year revolving acquisition facility, reducing the facility from $550 million to $250 million.

As at 31 December 2017, the $200 million revolving general facility with a maturity date of 4 December 2020 remained undrawn and $37 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.

On 23 November 2017, Beach agreed the terms and executed a Syndicated Debt Facility Agreement for a $1,475 million Senior Secured Debt Facility in order to fund the acquisition of Lattice Energy Limited. The facility is comprised of a $475 million three year term debt facility, $475 million five year term debt facility, $450 million five year revolving debt facility, and $75 million Letter of Credit facility. As at 31 December 2017 these facilities remain undrawn.

Subsequent to half year end, the acquisition of Lattice was completed on 31 January 2018. The completion payment for the acquisition of $1,498 million was funded by utilising $475 million of the three year term facility, $475 million of the five year term facility and $45 million of the five year revolving facility with the balance of $503 million funded from existing cash reserves.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 12 Segment information

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

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

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

Details of the performance of each of these operating segments for the six month period ended 31 December 2017 and 31 December 2016 are set out below.

	COOPER BASIN		OTHER AUSTRALIA		INTERNATIONAL		TOTAL	
	31 Dec 2017 $million	31 Dec 2016 $million	31 Dec 2017 $million	31 Dec 2016 $million	31 Dec 2017 $million	31 Dec 2016 $million	31 Dec 2017 $million	31 Dec 2016 $million
Segment revenue								
Oil and gas sales	**385.9**	344.4	**–**	–	**–**	–	**385.9**	344.4
Segment results								
Gross segment result before depreciation, amortisation and impairment	**237.1**	190.1	**(0.3)**	(0.7)	**–**	–	**236.8**	189.4
Depreciation and amortisation	**(86.6)**	(85.9)	**–**	–	**–**	–	**(86.6)**	(85.9)
Impairment Loss	**–**	–	**–**	(28.5)	**–**	(1.5)	**–**	(30.0)
	150.5	104.2	**(0.3)**	(29.2)	**–**	(1.5)	**150.2**	73.5
Other revenue							**6.7**	1.0
Other income							**20.8**	52.9
Net financing costs							**(5.2)**	(8.1)
Other expenses							**(29.8)**	(24.2)
Profit/(loss) before tax							**142.7**	95.1
Income tax expense							**(47.0)**	8.3
Net profit/(loss) after tax							**95.7**	103.4

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 12 Segment information continued

Details of the assets of each of these operating segments for the period ended 31 December 2017 and 30 June 2017 are set out below.

	COOPER BASIN		OTHER AUSTRALIA		INTERNATIONAL		TOTAL	
	31 Dec 2017 $million	30 Jun 2017 $million	31 Dec 2017 $million	30 Jun 2017 $million	31 Dec 2017 $million	30 Jun 2017 $million	31 Dec 2017 $million	30 Jun 2017 $million
Segment assets	**1,386.0**	1,290.2	**76.5**	79.3	**9.9**	9.0	**1,472.4**	1,378.5
Total corporate and unallocated assets							**669.7**	514.6
Total consolidated assets							**2,142.1**	1,893.1
Segment liabilities	**289.0**	254.7	**32.6**	50.8	**1.7**	1.8	**323.3**	307.3
Total corporate and unallocated liabilities							**55.1**	183.8
Total consolidated liabilities							**378.4**	491.1

Note 13 Critical accounting estimates & judgements

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

In preparing this Half Year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2017.

Impairment of assets

The entity has reviewed the petroleum assets and this review has not indicated any trigger events or indications that the assets may be impaired, therefore no impairments or impairment write backs are included for the half year. In the prior period impairments were recognised for Bonaparte Basin ($28.5 million), the proposed sale and leaseback of the corporate office ($3.1 million) and additional costs in areas previously impaired comprising Tanzania ($0.9 million) and PEP52181 in New Zealand ($0.6 million).

Note 14 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.

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.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 14 Financial risk management continued

Fair Values 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	
	Dec 2017 $million	Jun 2017 $million	Dec 2017 $million	Jun 2017 $million	Dec 2017 $million	Jun 2017 $million	Dec 2017 $million	Jun 2017 $million	Dec 2017 $million	Jun 2017 $million
Financial assets										
Measured at fair value										
Derivatives	**0.9**	0.8	**–**	–	**–**	–	**–**	–	**0.9**	0.8
Available-for-sale	**–**	–	**–**	–	**–**	44.4	**–**	–	**–**	44.4
	0.9	0.8	**–**	–	**–**	44.4	**–**	–	**0.9**	45.2
Not measured at fair value										
Cash	**–**	–	**–**	–	**–**	–	**552.2**	348.0	**552.2**	348.0
Receivables	**–**	–	**179.8**	116.0	**–**	–	**–**	–	**179.8**	116.0
Other	**–**	–	**–**	–	**–**	–	**12.1**	11.4	**12.1**	11.4
	–	–	**179.8**	116.0	**–**	–	**564.3**	359.4	**744.1**	475.4
Financial liabilities										
Measured at fair value										
Derivatives	**4.0**	1.1	**–**	–	**–**	–	**–**	–	**4.0**	1.1
	4.0	1.1	**–**	–	**–**	–	**–**	–	**4.0**	1.1
Not measured at fair value										
Payables	**–**	–	**–**	–	**–**	–	**80.8**	66.5	**80.8**	66.5
Borrowings (Debt)	**–**	–	**–**	–	**–**	–	**–**	148.0	**–**	148.0
	–	–	**–**	–	**–**	–	**80.8**	214.5	**80.8**	214.5

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).

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 14 Financial risk management continued

Available-for-sale financial assets

The fair value of available-for-sale financial assets is determined by reference to their quoted closing price at the reporting date (Level 1). These investments are measured at fair value using the closing price on the reporting date as listed on various securities exchanges. Unrealised gains and losses arising from changes in fair value are taken directly to an available for sale reserve within equity. Where there is objective evidence that an asset is impaired due to a significant or prolonged decline in fair value, then the decline in value shall be taken from the reserve and the impairment loss recognised in the profit or loss. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to the profit or loss.

During the half year to 31 December 2017, the Group sold available-for-sale financial assets for $32.5 million, resulting in movements through the available for sale reserve of $14.9 million, a tax adjustment of $2.3 million and a gain on sale of $5.3 million.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2017 and there have been no transfers between the levels of the fair value hierarchy during the half year to 31 December 2017.

The Group also has a number of other financial assets and liabilities which are not measured at fair value in the Statement of Financial Position as their carrying values are considered to be a reasonable approximation of their fair value.

Note 15 Contingent liabilities

There has been no material change to the contingent liabilities since 30 June 2017.

Note 16 Commitments

Apart from the purchase of Lattice and associated funding commitments (refer note 19), there has been no material change to the commitments since 30 June 2017.

Note 17 Earnings per share

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

	Dec 2017 $million	Dec 2016 $million
Basic earnings per share	**95.7**	103.4
Diluted earnings per share	**95.7**	103.4

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

	Dec 2017 Number	Dec 2016 Number
Basic earnings per share	**2,067,383,655**	1,898,275,848
Diluted earnings per share	**2,073,830,957**	1,901,810,937

Note 18 Disposal group held for sale

In July 2017, Beach entered into a sale agreement in relation to certain Queensland gas permits (PL184 and ATP932). The carrying value of these permits was impaired down to the expected sale price less costs to sell and reclassified as an asset held for sale during FY17.

Assets and liabilities of disposal groups held for sale

	QUEENSLAND GAS		TOTAL	
	Dec 2017 $million	Jun 2017 $million	Dec 2017 $million	Jun 2017 $million
Exploration	**1.7**	1.7	**1.7**	1.7
Assets held for sale	**1.7**	1.7	**1.7**	1.7
Provisions	**0.4**	0.4	**0.4**	0.4
Liabilities held for sale	**0.4**	0.4	**0.4**	0.4

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Note 19 Business combination

On 28 September 2017, Beach announced that it had entered into a binding agreement with Origin Energy Limited (Origin), a listed company based in Australia specialising in energy supply chain, to acquire 100% of the voting shares in Lattice Energy Limited (Lattice) for $1,585 million cash consideration.

Subsequent to balance date the Group obtained control of Lattice with cash settlement on 31 January 2018. The final completion payment of $1,498 million comprised the purchase price of $1,585 million less adjustments of $87 million, representing the economic benefit of Lattice since 1 July 2017, which is reflected in these adjustments and acquired cash. This was funded from existing cash reserves of $503 million, which includes funds raised through a 3 for 14 accelerated non-renounceable pro-rata entitlement offer, and drawdown of new debt facilities of $995 million. During the period, $9.6 million of transaction costs were expensed. Additional transaction costs relating to stamp duty, advisor fees and financing costs were incurred on settlement and will be reflected in the full year accounts for FY18.

The acquisition price for Lattice of $1,585 million included the acquisition of Benaris' 27.77% interest in the Otway Gas Project which Origin had entered into a binding agreement to acquire for $190 million, as announced to the ASX on 11 September 2017. Subsequent to the completion of Beach's acquisition of Lattice on 31 January 2018, the acquisition of the Benaris' interest by Lattice completed on 5 February 2018.

The Lattice transaction has transformed Beach from a Cooper Basin oil and gas producer and explorer to a multi-basin producer and explorer with significant development potential. Lattice was Origin's conventional upstream oil and gas business that has interests in the offshore Victorian (Otway Gas Project and BassGas), onshore Cooper Basin (SACB JV and SWQ JVs), onshore Perth Basin (Waitsia development project and Beharra Springs) and offshore New Zealand (Kupe) operations, as well as exploration exposure in the Bonaparte and Canterbury basins. Lattice also has ownership interests in a number oil and gas processing facilities, transportation flowlines and trunklines that deliver product to the Australian East Coast, West Coast and New Zealand gas markets.

The acquisition of Lattice has increased Beach's 2P reserves by ~200% to 232 MMboe and FY18 production guidance by ~150% to 25–28 MMboe, as well as giving Beach expanded operatorship capabilities and expertise that include gas processing and offshore production. Lattice is a material supplier of gas to east coast markets, with Lattice increasing Beach's attributable east coast sales gas and ethane production by ~310% to 95PJe. Lattice has interests in three major development projects in the offshore Otway Basin (Thylacine, Geographe and Black Watch) and one in the Perth Basin (Waitsia), and, as part of the Lattice transaction, Beach and Origin have entered into a number of long-term Gas Sales Agreements (GSAs). While details behind the gas pricing between Lattice and Origin remains confidential, the Origin GSAs are at fixed prices (with CPI linkage and annual pricing step-ups) for the first 3–4 years, followed by market prices (with CPI linkage) for the remaining term. Lattice has a number of other GSAs with AGL (East Coast Australia), Alinta (West Coast Australia) and Genesis (New Zealand).

Assets acquired and liabilities assumed

Given the timing of the acquisition it has been impracticable to complete the initial accounting for the business combination. As such the Group cannot make disclosures relating to the fair value of assets and liabilities acquired, acquired receivables, contingent liabilities and the contribution of any goodwill.

As the acquisition date is after 31 December 2017, there has not been any contribution of revenue or profit to the Group recorded for the period.

On 21 December 2017, Beach announced that it had entered into binding agreements with Toyota Tsusho Corporation and related parties (Toyota Tsusho) to acquire its interests in the Otway Gas Project (OGP) and BassGas Project (collectively the Transaction). Beach will acquire Toyota Tsusho's 5% stake in OGP and 11.25% stake in BassGas Project for cash consideration, to be funded from Beach's existing cash reserves. The purchase price remains confidential, however is consistent with pricing parameters of recent comparable transactions within the sector. The Transaction is subject to standard conditions precedent including relevant third party consents. Completion is expected in early 2018 with an effective date of 1 January 2017 for the OGP interest and 1 July 2017 for the BassGas interests.

Note 20 Events occurring after the balance date

Other than completion of the Lattice transaction including Lattice's purchase of the Benaris' interest in the Otway Gas Project, there has not been in the period since 31 December 2017 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The interim financial report and notes set out on pages 19 to 32, are in accordance with the *Corporations Act 2001* including:
   (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
   (b) complying with Accounting Standard *AASB 134 Interim Financial Reporting*, and the *Corporations Regulations 2001*.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 19th day of February 2018.

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

G S Davis
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

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Independent Auditor's Review Report to the Members of Beach Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Beach Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

INDEPENDENT AUDITOR'S REVIEW REPORT

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Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Beach Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Ernst & Young

Anthony Jones
Partner
Adelaide
19 February 2018

GLOSSARY

$	Australian dollars
Alinta Energy	Alinta Energy Retail Sales Pty Ltd
AGM	Annual general meeting
ASX	Australian Securities Exchange
ATP	Authority to Prospect
bbl	Barrels
Beach	Beach Energy Ltd
Bcf	Billion cubic feet
boe	Barrels of oil equivalent – the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy
bopd	Barrels of oil per day
CBOS JV	Cooper Basin Origin Senex Joint Venture
Company	Beach Energy Limited
Cooper Energy	Cooper Energy Ltd
Cooper Basin	Includes both Cooper and Eromanga basins
Cooper Basin JV	The Delhi operations, which incorporate the SACB JVs and SWQ JVs
Cue Energy	Cue Energy Resources Ltd
Delhi	Delhi Petroleum Pty Ltd
EP	Exploration permit
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 513 / 632	PRLs 191 to 206 and various production licences
FY(18)	Financial year (2018)
GSA	Gas sales agreement
GJ	Gigajoule
H(1) (FY18)	(First) half year period (of FY18)
IPT	Initial production test
kbbl	Thousand barrels of oil
kboe	Thousand barrels of oil equivalent
kt	Thousand tonnes
Lattice	Lattice Energy Ltd
LPG	Liquefied petroleum gas
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalent
MMscfd	Million standard cubic feet of gas per day
Net gearing	Net debt / (net debt + book equity)
NOPTA	National Offshore Petroleum Titles Administrator
Origin	Origin Energy Ltd
PACE	Plan for Accelerating Exploration

GLOSSARY

PEL	Petroleum Exploration Licence
PEP	Petroleum Exploration Permit
PPL	Petroleum Production Licence
PRL	Petroleum Retention Licence
PJ	Petajoule
Q(2) (FY18)	(Second) quarter of (FY18)
Qtr	Quarter
SACB JV	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% and Origin 10.54%)
Santos	Santos Ltd
Senex	Senex Energy Ltd
SWQ JV	South West Queensland Joint Ventures, incorporating various equity interests (Beach 20–40%)
Toyota Tsusho	Toyota Tsusho Corporation and related parties
TVT	Total vertical thickness