

FULL YEAR REPORT

INCORPORATING APPENDIX 4E



Preliminary Final Report under ASX Listing Rule 4.3A for the period ended 30 June 2018. This report is based on financial statements which have been audited.



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BEACH ENERGY LIMITED
ABN 20 007 617 969

Preliminary Final Report under ASX Listing Rule 4.3A for the year ended 30 June 2018. This report is based on financial statements which have been audited.

Appendix 4E	1
Directors' Report	3
Auditor's Independence Declaration	26
2018 Remuneration in Brief (Unaudited)	27
Remuneration Report (Audited)	28
Full Year Financial Report	44
Notes to the Financial Statements	49
Independent Auditor's Report	85
Corporate Information & Directory	95

About Beach

Beach Energy is an ASX listed, oil and gas, exploration and production company headquartered in Adelaide, South Australia. It has operated and non-operated, onshore and offshore, oil and gas production from five producing basins across Australia and New Zealand and is a key supplier to the Australian east coast gas market. Beach's asset portfolio includes ownership interests in strategic oil and gas infrastructure, such as the Moomba processing facility and Otway Gas Plant, as well as a suite of high potential exploration prospects. Beach is focused on maintaining the highest health, safety and environmental standards.

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2018

Preliminary Final Annual Report for the year ended 30 June 2018 (Rule 4.3A)

Results for announcement to the market

Previous corresponding period – 30 June 2017

		Change %		Amount \$ million
Revenues from ordinary activities	UP	90%	to	1,267.4
Net profit from ordinary activities after tax attributable to members	DOWN	49%	to	198.8
Net profit after tax for the period attributable to members	DOWN	49%	to	198.8
Underlying Net profit after tax *	UP	86%	to	301.5

* 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. Please refer to the table on page 12 of the Directors report for a reconciliation of this information to the financial report.

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	\$0.81	\$0.75

Change in ownership of controlled entities*

Control gained over entities having material effect	Lattice Energy Limited and Toyota Tsusho Gas E&P Otway Limited
Loss of control of entities having material effect	None

* Further information in relation to these acquisitions is included in Note 26 to the financial statements

Dividends

\$ million	Current Period	Previous Corresponding Period
Ordinary Securities	\$41.5	\$28.0

Dividends	Amount per security	Franked amount per security at 30% tax
Interim dividend (fully franked)	1.0 cent	1.0 cent
Final dividend (fully franked)	1.0 cent	1.0 cent
Record date for determining entitlements to the final dividend	31 August 2018	-
Payment date for final dividend	28 September 2018	-

None of these dividends are foreign sourced.

Dividend Reinvestment Plan

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

Notes on the reserves statement

Beach prepares its petroleum reserves and contingent resources estimates in accordance with the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers. The reserves and contingent resources presented in this report were originally disclosed to the market in ASX release #034/18 from 2 July 2018. Beach confirms that it is not aware of any new information or data that materially affects the information included in the aforesaid market announcement and that all the material assumptions and technical parameters underpinning the estimates in the aforesaid market announcement continue to apply and have not materially changed.

Conversion factors used to evaluate oil equivalent quantities are sales gas and ethane: 5.816 TJ per kboe, LPG: 1.389 bbl per boe, condensate: 1.069 bbl per boe and oil: 1 bbl per boe. The reference point for reserves determination is the custody transfer point for the products. Reserves are stated net of fuel and third party royalties.

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Directors' Report	3
Auditor's Independence Declaration	26
2018 Remuneration in Brief (Unaudited)	27
Remuneration Report (Audited)	28
Full Year Financial Report	44
Notes to the Financial Statements	49
Independent Auditor's Report	85
Corporate Information & Directory	95

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Your directors present their report for Beach Energy Limited (Beach or Company) on the consolidated accounts for the financial year ended 30 June 2018. Beach is a company limited by shares that is incorporated and domiciled in Australia.

The directors of the Company during the year ended 30 June 2018 and up to the date of this report are:

Surname	Other Names	Position
Bainbridge	Philip James	Independent non-executive director
Beckett	Colin David	Independent non-executive Deputy Chairman
Bennett	Fiona Rosalyn Vivienne	Independent non-executive director ¹
Davis	Glenn Stuart	Independent non-executive Chairman
McKerlie	James David	Independent non-executive director
Moore	Peter Stanley	Independent non-executive director ²
Morton	Joycelyn Cheryl	Independent non-executive director ³
Stokes	Ryan Kerry	Non-executive director
Richards	Richard Joseph	Non-executive director

1. Retired on 23 November 2017
2. Appointed as a non-executive director on 1 July 2017
3. Appointed as a non-executive director on 21 February 2018

Directors Interests in shares, options and rights

The relevant interest of each director in the ordinary share capital of Beach at the date of this report is:

Shares held in Beach Energy Limited

Name	Shares	Rights
P J Bainbridge	118,090 ²	-
C D Beckett	65,914 ¹	-
G S Davis	153,226 ²	-
J D McKerlie	124,840 ²	-
P S Moore	22,500 ²	-
J C Morton	50,000 ^{1,2}	-
R K Stokes ³	-	-
R J Richards ³	179,443 ²	-

1. Held directly
2. Held by entities in which a relevant interest is held
3. Mr Stokes does not hold a relevant interest in Beach shares but he was nominated as a director by Beach's largest shareholder Seven Group Holdings Limited (SGH) and related corporations who collectively have a relevant interest in 25.58% of Beach shares. He is Managing Director and Chief Executive Officer of SGH. Mr Richards was also nominated as a director by SGH. He is the Chief Financial Officer of SGH.

Details of the qualifications, experience, special responsibilities and meeting attendance of each of the directors are set out later in the Directors' Report.

Principal activities

Beach Energy is an ASX listed, oil and gas, exploration and production company headquartered in Adelaide, South Australia. It has operated and non-operated, onshore and offshore, oil and gas production from five producing basins across Australia and New Zealand and is a key supplier to the Australian east coast gas market. Beach's asset portfolio includes ownership interests in strategic oil and gas infrastructure, such as the Moomba processing facility and Otway Gas Plant, as well as a suite of high potential exploration prospects. Beach is focused on maintaining the highest health, safety and environmental standards.

Operating and Financial Review

The following operating results and events from FY18 are discussed in this Directors' Report.

- During the financial year, Beach acquired the Lattice Energy Group, Benaris' interest in the Otway Gas Project and Toyota Tsusho Corporation's interest in the Otway Gas Project and the BassGas project. Beach acquired these interests for \$1,532 million in consideration with an effective accounting acquisition date of 1 January 2018.
- To fund the acquisitions, Beach raised approximately \$301 million through a 3 for 14 pro-rata accelerated non-renounceable entitlement offer and entered into banking arrangements to access \$1,475 million in credit facilities, including a \$450 million revolving credit facility.
- At 30 June 2018 Beach reported net debt of \$639 million versus \$198 million net cash position as at 30 June 2017. Net gearing decreased from less than 33% at the time of completion of the Lattice acquisition to less than 26% at 30 June 2018, primarily due to cash flow generation in H2 FY18. Beach ended FY18 with available liquidity of \$761 million.
- Beach recorded annual production of 19.0 MMboe, up 80% from the prior year.
- Gas and gas liquids production of 13.3 MMboe was 174% higher than the prior year and accounted for 70% of total production.
- Oil production of 5.7 MMbbl was in line with the prior year and accounted for 30% of total production.
- Capital expenditure (before acquisitions and divestments) of \$288 million was 85% higher than the prior year as Beach commenced its multi-year capital program in the Cooper Basin and expenditure increased with the expanded asset portfolio.
- Beach participated in 96 wells at a success rate of 82%, up from 58 wells at 79% in the prior year. Exploration and appraisal wells accounted for 25% and 30% of total wells, respectively, with success rates of 56% and 83%, respectively.
- Drilling successes included: 1) Bauer-26 (ex PEL 91), Beach's first operated horizontal oil development well, 2) the Stunsail oil field development (ex PEL 91) with McKinlay and Birkhead horizontal wells, 3) the Marauder-1 oil discovery and the Growler-15 horizontal development well both drilled by Senex (ex PEL 104), 4) five Western Flank operated gas exploration wells (increasing to six, subsequent to year-end), 5) Haselgrove-3 ST1 gas discovery in the onshore Otway Basin (PPL 62) and 6) numerous small scale appraisal and exploration successes in the Cooper Basin JV.
- Strong appraisal results at Waitsia in H1 FY18, with deliverability rates of 39, 50 and 90 MMscfd announced by the operator.
- 2P oil and gas reserves were 313 MMboe at year-end, up 320% from the prior year. The recently acquired Lattice assets were responsible for approximately two thirds of the increase in 2P reserves, with around one third due to positive reserve revisions across existing Beach assets.
- Net operating cash flow of \$663 million was assisted by higher production and commodity prices, with Beach average realised price, across all products, of \$62.3/boe, up 14% from \$54.8/boe in the prior year.

Beach reporting segments are:

- SAWA – South Australia and Western Australia;
- Victoria; and
- New Zealand

Production summary

	FY18				FY17		Year-on year change (%)
	Oil (MMbbl)	Gas Liquids (MMboe)	Gas (PJ)	Oil Equivalent (MMboe)	Oil Equivalent (MMboe)		
Production (net to Beach)²							
Western Flank Oil	4.7	-	-	4.7	4.8	(1%)	
Western Flank Gas	-	0.5	5.5	1.4	1.0	46%	
Cooper Basin JV	0.8	0.8	24.7	5.9	4.4	33%	
Other Cooper Basin	0.1	0.0	0.3	0.2	0.3	(35%)	
Perth Basin	-	0.0	2.4	0.4	-	-	
SAWA	5.7	1.3	32.9	12.7	10.6	20%	
Otway Basin	-	0.5	19.0	3.7	-	-	
Bass Basin	-	0.3	4.7	1.1	-	-	
Victoria	-	0.7	23.7	4.8	-	-	
New Zealand	-	0.5	5.8	1.5	-	-	
Total Production	5.7	2.5	62.5	19.0	10.6	80%	

1. See ASX Announcements from AWE Ltd (ASX: AWE) dated 22 November 2017, 10 November 2017 and 23 October 2017.

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

Drilling summary

	Category	Wells Drilled	Successful Wells ¹	Success Rate
Cooper / Eromanga Basins	Oil - Exploration	6	3	50%
	Oil - Appraisal	16	14	88%
	Oil - Development	21	20	95%
	Gas - Exploration	18	10	56%
	Gas - Appraisal	13	10	77%
	Gas - Development	21	21	100%
Total Cooper/Eromanga		95	78	82%
Onshore Otway Basin	Gas - Exploration	1	1	100%
Total wells drilled		96	79	82%

1. Success defined as wells that have been cased and suspended as future producers / injectors

SAWA

Western Flank Oil

Western Flank oil operations accounted for 25% of Beach's FY18 production and the majority of Beach's FY18 oil production. Producing permit areas include ex PEL 91 (Beach 100%), ex PEL 92 (Beach 75% and operator, Cooper Energy 25%) and ex PEL 104/111 (Beach 40%, Senex 60% and operator). Western Flank net oil production was 4.7 MMbbl, in line with the prior year. The production result benefited from the following activities, which almost fully offset natural field decline.

- **Oil discovery:** In July 2017, Beach announced a Birkhead oil discovery in Senex-operated ex PEL 104 in the Marauder Field, approximately two kilometres north of the producing Growler and Spitfire oil fields. Marauder-1 was brought online in the first quarter.
- **Horizontal drilling:** Horizontal drilling technology was successfully introduced to the Western Flank in FY18. Beach completed its first operated horizontal well, Bauer-26. The well was drilled and brought online in less than two months. Beach drilled a further two horizontal oil development wells in the third quarter at Stunsail-6 and -7 as part of the Stunsail Field development campaign. Senex also introduced horizontal drilling to its operated acreage, with Growler-15 drilled and brought online in February-March 2018.
- **New wells brought online:** 18 oil wells were brought online in FY18.
- **Production optimisation projects:** Beach was very active in the field throughout FY18. Artificial lift, which included both beam pumps and electric submersible pumps, was installed at 19 wells while debottlenecking work was undertaken both in the flowline network and via increase of fluid handling capability at various facilities in ex PEL 91 and ex PEL 92.

Beach participated in 15 Western Flank oil wells in FY18; four exploration wells, four appraisal wells and seven development wells. The overall Western Flank oil drilling success rate was 67%. At 30 June 2018, Western Flank 2P oil reserves were 34 MMbbl, an increase of 14 MMbbl, net of production, over the prior year.

Western Flank Gas

Western Flank gas operations accounted for 7% of Beach's FY18 production. Producing permit areas include ex PEL 106 (Beach 100%), the Mokami Field in ex PEL 91 (Beach 100%) and the Udacha Block - PRL 26 (Beach 100%). Other permits include PEL 630 (Beach 50% and operator, Bridgeport 50%). Western Flank net gas production was 1.4 MMboe, a 46% increase over the prior year. The production increase was the result of compression at the Middleton facility, exploration success and new wells brought online more than offsetting natural field decline.

- **Middleton compression:** FY18 was the first full year period to benefit from the expanded daily throughput capacity of 25 MMscf raw gas at the Middleton facility. As Beach executes on its strategic goal of increasing its east coast gas business, further expansion of the Middleton facility is being undertaken. Phase-one was completed with a new gas export line commissioned on 30 June. Gas began being exported via the line into the Santos network on 1 July 2018 and has allowed Western Flank raw gas production to increase to between 35 - 38 MMscfd.
- **Gas exploration success:** Beach drilled 11 wells of a 12-well, two-phase operated gas exploration campaign in FY18. The 12-well campaign was completed subsequent to year-end with an overall success rate of 50% and two of the six successes being considered new field discoveries.
- **New producing wells:** Six gas wells were brought online in FY18.

Beach participated in 11 Western Flank gas wells in FY18, all of which were exploration wells, at a success rate of 45%. At 30 June 2018, Western Flank 2P gas reserves were 9 MMboe, an increase of 1 MMboe, net of production, over the prior year.

Cooper Basin JV

Beach's wholly owned subsidiaries Delhi Petroleum Pty Ltd and Lattice Energy Limited own non-operated interests in the South Australian Cooper Basin joint ventures (collectively 33.40% in SA Unit and 27.68% in Patchawarra East) and the South West Queensland joint ventures (various interests of 30% to 52.2%), which are collectively referred to as the Cooper Basin JV. Beach increased its interests in the Cooper Basin JV via the Lattice acquisition and consolidated the associated increased interests from 1 January 2018.

The Cooper Basin JV operations accounted for 31% of Beach's FY18 production. Net gas and gas liquids production of 5.1 MMboe was up 36% from the prior year and comprised sales gas of 4.2 MMboe (up 33%) and gas liquids of 0.8 MMboe (up 55%). Net oil production of 0.8 MMbbl was up 17% on the prior year. The production increase was the result of Beach increasing its interests in the Cooper Basin JV as well as an expanded drilling program and ongoing operating efficiencies more than offsetting natural field decline.

- **Increased ownership interests:** See section entitled "Corporate activities – Acquisition of Lattice" which discusses the acquisition of Lattice.
- **Expanded drilling program:** The Cooper Basin JV engaged a third drilling rig in the second quarter of FY18. The third rig is a fit-for-purpose, shallow-well rig, designed to reduce drilling times and allow smaller targets to be potentially economic. Operating a third rig assisted the Cooper Basin JV to drill 64 wells in FY18, double the 32 wells drilled in FY17.
- **Operating efficiencies:** Drilling efficiencies from the fit-for-purpose drill rig, faster rig move times and the increased use of pad drilling in conjunction with high drilling success rates, optimised completion strategies, prioritisation of well connections and continued innovation in field operations, such as the use of a dedicated truck mounted workover rig to bring oil wells back online, assisted the strong operating result.

Beach participated in 64 Cooper Basin JV wells, six gas exploration, 13 gas appraisal, 21 gas development, two oil exploration, eight oil appraisal and 14 oil development wells. Highlights from the FY18 drilling program included:

- Overall success rate of 91%.
- 100% success rate in the six-well oil development campaign in the McKinlay Field, which comprised four horizontal wells and two vertical wells.
- 100% success rate in the five-well gas and oil development campaign in the Tirrawarra-Gooranie Field.
- Horizontal wells in the Balcaminga and Tirrawarra fields targeting gas and oil respectively.

At 30 June 2018, 2P oil and gas reserves were 84 MMboe, an increase of 38 MMboe, net of production.

Other Cooper Basin

Other Cooper Basin represents producing permit areas ATP 299 (Tintaburra) (Beach 40%, Santos 60% and operator) and ex PEL 513/632 (Beach 40%, Santos 60% and operator). Other permits include PEL 570 JV (Beach 25%, Santos 75% and operator). Production from Other Cooper Basin producing permit areas was 0.2 MMboe, down 35% from the prior year. Other Cooper Basin accounted for 1% of Beach's total production. A four-well oil appraisal drilling campaign was undertaken in ATP 299 (Tintaburra) during FY18. The four wells were cased and suspended, three as future producers and one as a water injector to assist with future field production. A single deep coal gas exploration well was drilled in PEL 570 JV and was cased and suspended for future completion, fracture stimulation and flow testing. At 30 June 2018, 2P oil and gas reserves were nominal.

South Australia Otway Basin

South Australia Otway Basin includes permits PPL 62 (Beach 100%) and PEL 494 (Beach 70% and operator, Cooper Energy 30%) in the Penola Trough. No production was recorded in these permits in FY18. In the second quarter, Beach drilled Haselgrove-3 ST1 targeting the Sawpit Sandstone and shallower Pretty Hill Sandstone. On 11 January 2018, Beach announced Haselgrove-3 ST1 as a new gas field discovery. An initial production test was conducted from 10 February to 14 March 2018, which confirmed gas deliverability and low inert content (-5%) in the Sawpit Sandstone. Flow rates and pressure data indicated that further appraisal was required to assess resource size and commerciality of the Sawpit Sandstone structure. Subsequent to year-end, Beach announced plans to drill Haselgrove-4 (Beach 100%) to appraise the Haselgrove Field, and exploration well Dombey-1 (Beach 70% and operator, Cooper Energy 30%), to be drilled approximately 20km west of Penola targeting the Pretty Hill and Sawpit sandstones. As announced in December 2017, drilling of Dombey-1 will be supported by the South Australian Government through a \$6.89 million PACE gas grant. The PACE gas grant scheme aims to bring new gas to market by the end of 2020. In June 2018, Beach accepted a \$6 million Commonwealth Government GAP grant to assist with the development of the Haselgrove-3 project to supply gas to the South Australian market. This in addition to the South Australian Government PACE grant of \$6 million awarded in March 2017. Results of Haselgrove-4 and Dombey-1 will be incorporated into assessments of future commercial options in the South Australia Otway Basin.

Perth Basin

Perth Basin operations accounted for 2% of Beach's FY18 production. Producing permit areas include Waitsia (Beach 50%, Mitsui 50% and operator) and Beharra Springs (Beach 67% and operator, Mitsui 33%). Beach acquired its interests in the Perth Basin via the Lattice acquisition and consolidated these interests from 1 January 2018.

- **Waitsia:** Beach acquired a 50% non-operated interest via the Lattice acquisition. The project consists of the Waitsia Gas Project, an interest in the Xyris production facility and other in-field pipelines. Gas from two production wells is processed at the Xyris gas processing facility at a rate of -10 TJ/d (gross) and is sold to Alinta Energy under a gas sales agreement.
- **Beharra Springs:** Beach acquired a 67% operated interest via the Lattice acquisition. The project consists of the Beharra Springs, Redback Terrace and Tarantula gas fields, and the Beharra Springs gas processing facilities. Gas from nearby wells is processed at the Beharra Springs gas processing facility and is sold to Western Australia gas customers.

In H2 FY18, AWE Limited, the operator of Waitsia with a 50% interest and 33% joint venture partner at Beharra Springs, was acquired by Mitsui. Beach is working with Mitsui to evaluate gas commercialisation opportunities and optimise development plans for the Perth Basin.

Net Perth Basin production was 0.4 MMboe. At year-end, Perth Basin 2P oil and gas reserves were 72 MMboe.

Victoria

Otway Basin

Otway Basin operations accounted for 19% of Beach's FY18 production. Producing licence areas include HBWS (Beach 100%) and OGP (Beach 100%). Beach consolidated 100% of HBWS and OGP from 1 January 2018. Net Otway Basin production in FY18 was 3.7 MMboe. At 30 June 2018, Otway Basin 2P oil and gas reserves were 75 MMboe.

- **HBWS:** Beach acquired a 100% interest in the VIC/L1(v) and VIC/P42(v) licences which contain the Halladale, Black Watch and Speculant gas fields, via the Lattice acquisition. HBWS produces gas from the Halladale and Speculant gas fields via extended reach wells drilled from an onshore location. Gas from both fields is processed at the Otway Gas Plant. Beach is evaluating options to develop the Black Watch gas field and drill the Enterprise gas prospect via an extended reach well drilled from an onshore location.
- **OGP:** Beach acquired its 100% interest in OGP via the Lattice Energy, Benaris and Toyota Tsusho interest with effect from 1 January 2018. OGP produces gas from the Geographe and Thylacine offshore gas fields situated approximately 55 and 70 kilometres off the Victorian coast, respectively, south of Port Campbell in licences VIC/L23, T/L2 and T/L3. Gas is piped to shore and processed at the Otway Gas Plant, near Port Campbell. Beach is evaluating options to develop additional reserves in the Geographe and Thylacine fields as well as drilling the Artisan gas prospect.

Bass Basin

Bass Basin operations accounted for 6% of Beach's FY18 production and comprises the BassGas Project. Beach acquired its interests in the BassGas Project via the Lattice and Toyota Tsusho acquisitions. The BassGas Project comprises the Yolla offshore gas field, the BassGas pipeline and onshore Lang Lang gas plant (Beach 53.75% and operator, Mitsui 35%, Prize Petroleum International 11.25%), and various exploration permits and retention licenses (Beach 50.25% and operator, Mitsui 40%, Prize Petroleum International 9.75%). Beach consolidated these interests from 1 January 2018. Net Bass Basin production in FY18 was 1.1 MMboe. At 30 June 2018, Bass Basin 2P oil and gas reserves were 9 MMboe.

The BassGas Project produces gas from the Yolla Field, situated approximately 140 kilometres off the Gippsland coast to the south of Orbost in production licence T/L1. Gas from Yolla is piped to a gas processing facility located near the township of Lang Lang approximately 70 kilometres southeast of Melbourne. A wireline campaign conducted on Yolla in H2 FY18 resulted in initial incremental gross production of 4 – 5 TJ/d.

New Zealand

Taranaki Basin

Taranaki Basin operations accounted for 8% of Beach's FY18 production and comprises Kupe (Beach 50% and operator, Genesis 46%, NZOG 4%). Beach acquired its interest in the Taranaki Basin via the Lattice acquisition and consolidated this interest from 1 January 2018. Net Taranaki Basin production in FY18 was 1.5 MMboe. At 30 June 2018, Taranaki Basin 2P oil and gas reserves were 30 MMboe.

Kupe produces gas from the Kupe Field, situated approximately 30 kilometres off the New Zealand North Island, in licence PML38146. Gas from Kupe is piped to an onshore production station near Hawera (Kupe production station). In FY18 gas from Kupe was sold to Genesis.

Corporate activities

Acquisition of Lattice and Toyota Tsusho interests

During the financial year, Beach acquired the Lattice Energy Group, Benaris' interest in the Otway Gas Project and Toyota Tsusho interest in the Otway Gas Project and the BassGas project. Beach acquired these interests for \$1,532 million in consideration with an effective accounting acquisition date of 1 January 2018. The acquisitions were funded from cash reserves, which included proceeds of the entitlement offer as detailed below and the drawdown of new debt facilities.

Entitlement offer

Beach raised approximately \$301 million at an offer price of \$0.75 per share through a 3 for 14 pro-rata accelerated non-renounceable entitlement offer to partially fund the Lattice acquisition. 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. Pursuant to the entitlement offer 401,543,843 new fully paid ordinary shares were issued.

Beach and its wholly owned subsidiaries increased their ownership in the OGP and BassGas Project as set out in the table below.

Summary of change in Beach interests in Otway Gas Project and BassGas Project

	Interest acquired from Lattice	Interest acquired from Toyota	Beach interest effective post transaction
OGP	95.00%	5.00%	100.00%
BassGas Project (producing assets)	42.50%	11.25%	53.75%

New executive appointments and leadership structure

During the year, Beach announced new executive appointments and functional leadership structure, which followed an extensive recruitment process. The appointments bring to Beach significant upstream oil and gas experience gained with leading global energy companies and extensive offshore operations experience. Beach's executive structure is summarised below and further details and biographies are contained on the Beach website.

Beach Energy Executive Leadership Team as at 30 June 2018

Chief Executive Officer	Matt Kay
Chief Financial Officer	Morné Engelbrecht
Chief Operating Officer	Dawn Summers
Group Executive Development	Geoff Barker
Group Executive Corporate Strategy and Commercial	Lee Marshall
Group Executive Exploration and Appraisal	Jeffrey Schrull
Group Executive Health, Safety, Environment and Risk	Brett Doherty

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

Beach entered into binding agreements with Cue Exploration Pty Ltd, a 100% owned subsidiary of Cue Energy Limited (ASX:CUE) to acquire interests 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 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 in 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 October 2018 to exercise its option, unless extended. Refer to announcements by Cue on 13 December 2017 and 17 April 2018 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 ASX release #088/17 from 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 Retail Sales Pty Ltd 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. 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 ASX release #089/17 from 5 December 2017.

Agreement with Senex to transfer free-carry commitment to Western Flank oil assets

During Q4 FY18, Beach and Senex reached agreement to transfer the remaining free-carry commitment on the joint venture's unconventional gas project to the Senex operated Cooper Basin Western Flank oil assets. Beach's acquisition of Lattice included the commitment to free-carry Senex for up to \$43 million of investment, exploring for unconventional gas in the Cooper Basin.

After negotiations with Senex, it has been agreed to transfer the commitment of up to \$43 million to lower-risk, expected higher-return oil opportunities in Western Flank permits ex PEL 104 and ex PEL 111 (Senex 60% and operator, Beach 40%).

The joint venture will commence an agreed work program in early FY19 that includes at least three horizontal development wells and seven exploration wells, and associated infrastructure, over approximately 18 months. The former Lattice earned interest in the unconventional gas acreage will revert to Senex in full, subject to pre-emptive rights.

Director appointments and retirements

During the year, the following changes to Board composition occurred:

- Dr Peter Moore was appointed as an independent non-executive director, with effect from 1 July 2017. Dr Moore is a geologist with over 35 years of oil and gas industry experience, including executive exploration appointments with ExxonMobil and Woodside.
- At the Annual General Meeting held 23 November 2017, Ms Fiona Bennett retired from the Board of Directors.
- On 22 February 2018, Beach announced the appointment of Ms Joycelyn Morton as an independent non-executive director, with effect from 21 February 2018. She was also appointed chair of the Audit Committee. Ms Morton has an extensive business and accounting background with over 38 years of accounting and finance experience, including global leadership roles in Australia and internationally within the Shell Group of companies.

At 30 June 2018, the Board comprises eight directors. The approved maximum number of directors is nine.

Change of external auditor

On 22 January 2018, Beach announced the appointment of Ernst & Young as auditor to Beach. The appointment followed the outcome of a tender process and resignation of KPMG.

Reserves and resources

Details and disclosures in relation to Beach's reserves and resources as at 30 June 2018 are contained in ASX release #034/18 from 2 July 2018. An extract of this announcement is provided below. 1P, 2P and 3P reserves were independently audited by RISC Advisory. No new information has subsequently come to hand which would materially alter estimates or underlying assumptions.

On 2 July 2018 Beach reported in relation to its reserves and contingent resources as at 30 June 2018. Highlights included:

- 1P reserves increased by 152 MMboe (+405%) to 190 MMboe
- 2P reserves increased by 239 MMboe (+320%) to 313 MMboe
- Beach 'pre-Lattice acquisition' assets¹ 2P reserves increased from 75 to 95 MMboe
- Lattice acquired assets¹ 2P reserves increased from 158 to 218 MMboe
- Organic 2P reserves replacement ratio² of 368%
- 2P reserves life² has increased from 7 years at the end of FY17 to 11 years at the end of FY18

Reserves and resources as at 30 June 2018 are summarised below.

Reserves (net)	1P	2P	3P
Oil (million barrels MMbbl)	25	42	73
Gas and gas liquids (million barrels of oil equivalent MMboe)	165	272	418
Total as at 30 June 2018 (MMboe)	190	313	491
Total as at 30 June 2017	38	75	138
Increase / (decrease)	405%	320%	255%

Developed and undeveloped reserves (net)	DEVELOPED			UNDEVELOPED		
	1P	2P	3P	1P	2P	3P
Oil (MMbbl)	19	28	46	6	13	27
Gas and gas liquids (MMboe)	84	135	214	81	137	205
Total as at 30 June 2018 (MMboe)	103	163	259	87	150	232
Total as at 30 June 2017	33	60	106	5	14	32
Increase / (decrease)	213%	171%	145%	1,735%	944%	615%

2C Contingent Resources (Net)	30-Jun-17	Revisions	30-Jun-18
Oil (MMbbl)	29	2	31
Conventional gas and gas liquids (MMboe)	86	65	152
Unconventional gas and gas liquids (MMboe)	38	(14)	24
Total (MMboe)	153	54	207

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

- Beach 'pre-Lattice acquisition' assets refers to the Cooper Basin assets ex PEL 91, ex PEL 92, ex PEL 104/111, Tintaburra, ex PEL 106, ex PEL 513/632, PRL 135 (Vanessa) and interests in the Cooper Basin JV which range from 12.86 to 40.00%. Lattice acquired assets refers to the OGP and HBWS in the Otway Basin, BassGas Project, Waitsia, Beharra Springs, Kupe Gas Project and various interests from 7.9 to 27.0% in the Cooper Basin JV.
- Please refer to ASX Release #034/18 from 2 July 2018 for calculation definitions.

	2018 \$ million	2017 \$ million
Group profit attributable to equity holders of Beach	198.8	387.5

Financial results from FY18 are summarised below:

- Sales revenue was up 92% from FY17 to \$1,251 million due to higher sales volumes with the acquisition of Lattice as well as higher prices.
- Cost of sales were up 67% from FY17 to \$774 million, mainly as a result of the acquisition of Lattice with higher operating costs, royalties, depreciation and third party purchases, partly offset by lower inventory.
- A net profit after tax of \$199 million was reported, as a strong underlying operating performance was offset by impairment charges and acquisition and integration costs.
- Other expenses were \$198 million including impairment expense on exploration assets of \$87 million and acquisition and integration costs of \$50 million compared to the prior year which included net impairment reversals of \$109 million.

Key Results

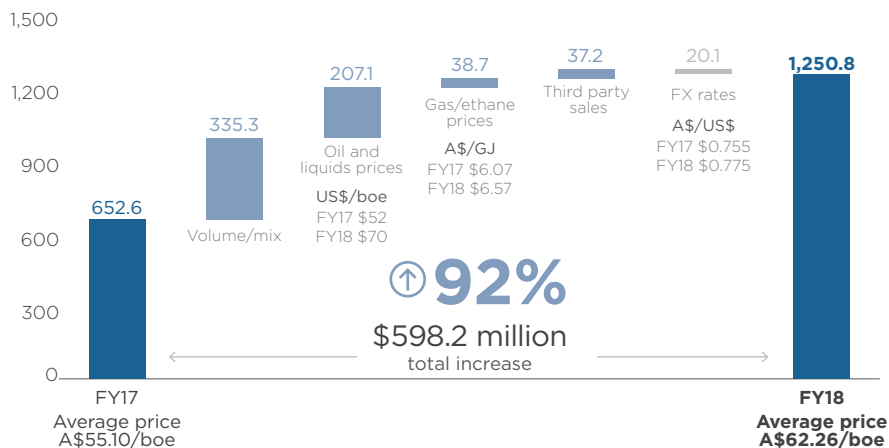
		2018	2017	Change %
Operations				
Production	MMboe	19.0	10.6	80%
Sales	MMboe	20.1	11.8	70%
Capital expenditure	\$m	(288.5)	(156.1)	(85%)
Income				
Sales revenue	\$m	1,250.8	652.6	92%
Total revenue	\$m	1,267.4	665.7	90%
Cost of sales	\$m	(773.8)	(463.4)	(67%)
Gross profit	\$m	477.0	189.2	152%
Other income	\$m	24.1	52.6	(54%)
Net profit after tax (NPAT)	\$m	198.8	387.5	(49%)
Underlying NPAT *	\$m	301.5	161.7	86%
Dividends paid	cps	2.00	1.50	33%
Dividends announced	cps	1.00	1.00	-
Basic EPS	cps	9.16	20.38	(55%)
Underlying EPS *	cps	13.89	8.50	63%
Cash flows				
Operating cash flow	\$m	662.9	319.0	108%
Investing cash flow	\$m	(1,730.7)	(152.0)	(1,039%)
Financial position				
Net assets	\$m	1,838.0	1,402.0	31%
Cash balance	\$m	311.2	348.0	(11%)

* Underlying results in the table above are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors. Please refer to the table on page 12 for a reconciliation of this information to the financial report.

Revenue

Higher oil and gas sales volumes driven by the Lattice acquisition and higher prices and third party sales in FY18 contributed to a 92% increase in sales revenue to \$1,251 million (\$653 million in FY17). A higher average A\$/US\$ exchange rate partly offset this increase. Sales revenue from production increased by \$561 million and third party sales increased by \$37 million. Sales volumes of 20.1 MMboe were 70% higher than FY17 due to higher gas production and gas sales volumes driven by the Lattice acquisition, and higher third party volumes. The average realised oil price increased to A\$93/bbl, up A\$25/bbl from FY17, due to a higher US\$ oil price, but was partly offset by an increase in the average A\$/US\$ exchange rate.

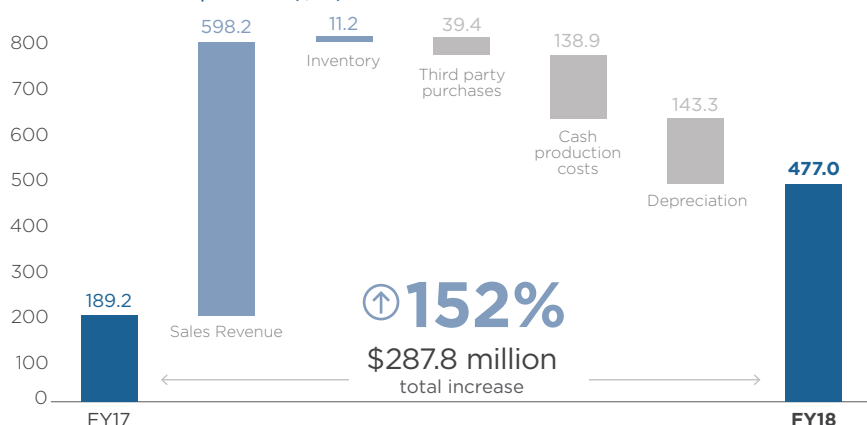
Sales Revenue Comparison (\$m)



Gross Profit

Gross profit for the full year of \$477 million (FY17 \$189 million) was up 152%. The increase in gross profit was primarily due to higher sales revenue driven by the Lattice acquisition partly offset by higher total cost of sales which were up 67% from FY17 to \$774 million. The increase in cost of sales is principally due to the Lattice acquisition with higher cash production costs (\$139 million), higher depreciation and amortisation (\$143 million) and higher third party purchases (\$39 million), partly offset by a decrease in inventory charges (\$11 million). Cash production costs were up \$139 million (59%), reflecting higher operating costs and higher royalties from the increase in production and prices. Higher depreciation and amortisation charges were mainly due to increases in production driven by the Lattice acquisition. Third party oil and gas purchases increased due to increased volumes. The decrease in inventory charges primarily reflects timing of shipments and drawdown of gas from storage. Key movements in gross profit are summarised below:

Gross Profit Comparison (\$m)



Net profit after tax (NPAT)

Other income of \$24 million was down \$29 million from FY17. FY18 other income includes a gain of \$15 million on the settlement of a restoration obligation, and a gain of \$5 million on the sale of investments. FY17 other income included a gain on the sale of Beach Egypt (\$47 million).

Other expenses for FY18 of \$198 million, included impairment expense on exploration assets of \$87 million and acquisition and integration costs of \$50 million compared to the prior year which included net impairment reversals of \$109 million.

The reported net profit after tax of \$199 million is \$189 million lower than FY17, primarily due to increased impairment charges and acquisition and integration costs.

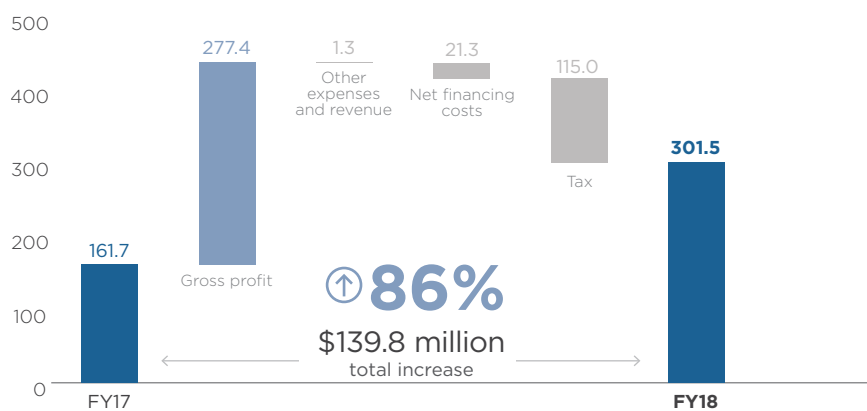
Underlying NPAT

By adjusting FY18 NPAT to exclude impairment and non-recurring items (as summarised below), underlying NPAT was \$302 million. This represents an 86% increase on FY17, due mainly to higher production and prices.

Comparison of underlying profit	2018 \$m	2017 \$m	Movement from PCP \$m	
Net profit after tax	198.8	387.5	(188.7)	(49%)
Adjusted for:				
Acquisition, integration and debt cancellation costs	51.4	-	51.4	
Gain on asset sales	(5.3)	(52.0)	46.7	
Unrealised hedging movements	13.2	3.7	9.5	
Gain on settlement of restoration obligation	(15.0)	-	(15.0)	
Other non-recurring items	-	10.4	(10.4)	
Impairment (reversal)/loss of assets	88.3	(108.6)	196.9	
DTA recognition	-	(79.3)	79.3	
Tax impact of above changes	(33.7)	-	(33.7)	
Provision for international taxes	3.8	-	3.8	
Underlying net profit after tax*	301.5	161.7	139.8	86%

* 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. All of the items being adjusted pre-tax are separately identified within Notes 2(b), 3(b) and 15 to the financial statements.

Underlying Net Profit After Tax Comparison (\$m)



Financial Position

Assets

Total assets increased by \$2,184 million to \$4,077 million.

Cash balances decreased by \$37 million to \$311 million, primarily due to acquisition of Lattice and Toyota \$1,453 million and capital expenditure partly offset by cash flow from operations of \$663 million and cash flow from financing activities of \$1,030 million.

Receivables increased by \$158 million primarily due to higher trade receivables and sales accruals with the acquisition of Lattice. Inventories also increased \$44 million due to the acquisition of Lattice. Derivative financial instruments assets increased by \$18 million due to the rising oil price. Available for Sale (AFS) financial assets decreased by \$44 million due to the sale of the Cooper Energy Limited investment. Assets held for sale have increased by \$20 million mainly due to the recognition of the corporate head office building as held for sale.

Fixed assets, petroleum and exploration assets increased by \$1,953 million. This comprised the acquisition of Lattice and Toyota assets of \$2,031 million, capital expenditure of \$288 million, and increases in restoration assets of \$56 million partly offset by amortisation and depreciation of \$315 million, impairment charges of \$88 million and reclassifications of assets to held for sale of \$21 million.

Goodwill of \$84 million was recognised on the Lattice and Toyota acquisitions.

Deferred tax assets (DTA) decreased by \$11 million following the acquisition of Lattice.

Liabilities

Total liabilities increased by \$1,748 million to \$2,239 million, mainly due to increased borrowings of \$778 million, higher payables of \$245 million, restoration provisions of \$530 million and employee provisions of \$11 million driven by the Lattice acquisition, an increase in tax liabilities of \$136 million and an increase in derivative financial instruments liabilities of \$47 million due to the rising oil price.

Equity

Equity increased by \$436 million, mainly due to the equity raising of \$301 million and the net profit after tax of \$199 million, partly offset by dividends paid during the year of \$42 million and a decrease in other reserves of \$22 million. Available for sale reserve reduced by \$15 million due to the sale of the investment in Cooper Energy Limited and the hedging reserve decreased by \$10 million due to negative mark-to-market movements on the crude oil derivatives designated as cash flow hedges.

Dividends

During the financial year the Company paid an FY17 fully franked final dividend of 1.0 cent per share as well as an interim FY18 fully franked dividend of 1.0 cent per share. The Company will also pay an FY18 fully franked final dividend of 1.0 cent per share from the profit distribution reserve.

State of affairs

In the opinion of the directors, other than the effect of the movement in oil prices summarised below, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review not disclosed elsewhere in the Directors' Report.

Oil prices

The average A\$ realised oil price for FY18 increased 36% from the average price received in FY17.

Matters arising subsequent to the end of the financial year

There has not arisen in the interval between 30 June 2018 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group. the results of those operations or the state of affairs of the Group in subsequent financial years, unless otherwise noted in the Financial Report.

Future developments

Our strategy

Beach's strategy is premised on its Vision: We aim to be Australia's premier multi-basin upstream oil and gas company, and its Purpose: To deliver sustainable growth in shareholder value. To achieve these goals, four strategic pillars drive all decision making and serve as a roadmap for the future. The strategic pillars are:

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

FY18 was transformational for Beach, headlined by the Lattice acquisition which was a unique fit against all of the strategic pillars. The table below summarises progress made against each strategic pillar during the year.

	Objectives	FY18 Progress
Pillar 1	<i>Drive growth in Beach's core business through organic and inorganic opportunities</i>	<ul style="list-style-type: none"> ✓ Cooper Basin production increased to 12.3 MMboe ✓ Cooper Basin 2P oil and gas reserves increased 71% to 128 MMboe at 30 June 2018 ✓ 14 MMbbl of 2P oil reserves added in the Western Flank driven by successful application of horizontal drilling technology and continued excellent production at the Bauer oil field ✓ Broad ranging operating and cost efficiencies including the introduction of the fit-for-purpose shallow-well drill rig in the Cooper Basin JV ✓ Completion of major infrastructure expansion projects such as the phase-one expansion of the Middleton facility to 40 MMScfd raw gas capacity ✓ Addition of a third Cooper Basin JV drill rig and focus on faster drill times saw participation in 96 wells, up from 58 in FY17
Pillar 2	<i>Establish a gas business in east coast basins to benefit from increasing gas demand from east coast markets</i>	<ul style="list-style-type: none"> ✓ Beach now supplies approximately 15 per cent of the east coast domestic gas demand ✓ Lattice acquisition adds an expanded development and exploration opportunity set ✓ GSAs in place with attractive price and structure: annual step-ups and CPI adjustments and market price resets every 3-4 years
Pillar 3	<i>A disciplined approach to mature the current opportunity set, identify prospective basins and execute growth opportunities</i>	<ul style="list-style-type: none"> ✓ Lattice acquisition was a unique fit against all of Beach's strategic pillars and acquired at an opportune time in the cycle ✓ Beach moved to strategic 100% ownership of the Otway Basin assets and commenced a process for the proposed sell down of these assets ✓ Frontier exploration opportunities in three basins ✓ Agreed potential farm-in to Ironbark exploration prospect in the Carnarvon Basin, WA
Pillar 4	<i>Maintain financial strength to underpin exploration efforts and growth options, and support the objective of sustainable growth in shareholder value</i>	<ul style="list-style-type: none"> ✓ \$301 million entitlement offer undertaken ✓ Arranged \$1,475 in credit facilities, including \$450 million revolving credit facility ✓ Net drawn debt reduced by \$221 million since financial close of Lattice acquisition to \$639 million at 30 June ✓ Net gearing ratio under 26% is well ahead initial targets ✓ Available liquidity of \$761 million at 30 June 2018 ✓ Free cash flow of \$349 million generated in FY18 ✓ Interim plus final dividend of 2.0 cents per share

Beach has made tangible progress against its four pillar strategy since its implementation in August 2015. In light of the transformative Lattice acquisition, the Beach strategy is being assessed in the context of the new enlarged organisation.

FY19 outlook

FY19 capital expenditure guidance

FY19 capital expenditure is expected to be within the range of \$460 – 540 million. The expanded capital program is designed to develop undeveloped reserves and delineate additional reserves via appraisal and exploration.

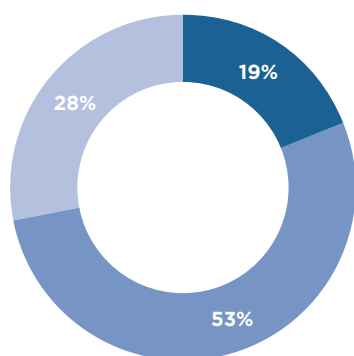
Approximately 80% of expected FY19 capital expenditure is discretionary in nature and will only be spent in accordance with strict investment hurdles and return requirements. Exploration and appraisal expenditure represents approximately one third of Beach's FY19 discretionary expenditure budget.

The remaining FY19 capital expenditure is stay-in-business and committed expenditure (fixed expenditure). This is required expenditure on existing assets for purposes such as maintenance, regulatory commitments and contractual obligations. A more detailed breakdown of our FY19 capital expenditure guidance range is provided below.

Key highlights include:

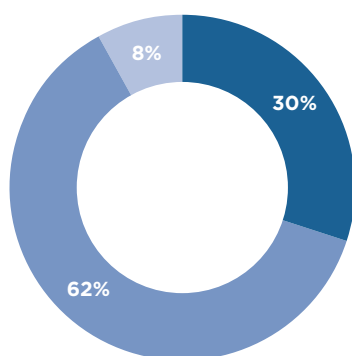
- Participation in up to 133 wells (+39% from FY18), including up to 64 exploration and appraisal wells (+19% from FY18).
- Participation in up to 87 Cooper Basin JV wells (+36% from FY18), with up to 65 wells targeting gas and 22 oil.
- Participation in up to 43 Western Flank wells, with 35 targeting oil. Of the oil wells, Beach expects to participate in the drilling of up to 15 horizontal wells.
- Participation in two wells in the South Australia Otway Basin (Haselgrove-4 and Dombey-1), as well as early expenditure on a gas processing facility at Haselgrove.
- Drilling of Black Watch gas development well in Victoria Otway Basin (onshore-to-offshore).
- Investing in long lead items ahead of further Victoria Otway Basin exploration and development drilling post FY19 (Enterprise, Artisan, Geographe/Thylacine).

FY19 capital expenditure split



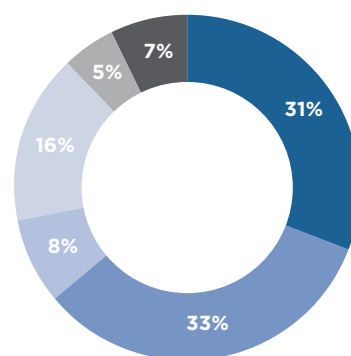
■ Fixed
■ Development
■ Exploration/appraisal

Discretionary expenditure target



■ Oil
■ East Coast Gas
■ Other

FY19 capital expenditure by assets group



■ Cooper Basin JV
■ Western Flank
■ Victoria
■ SA Otway
■ WA
■ Other

Summary of FY19 drilling programme

The table below summarises the number of wells Beach expects to participate in during FY19 versus wells drilled in FY18.

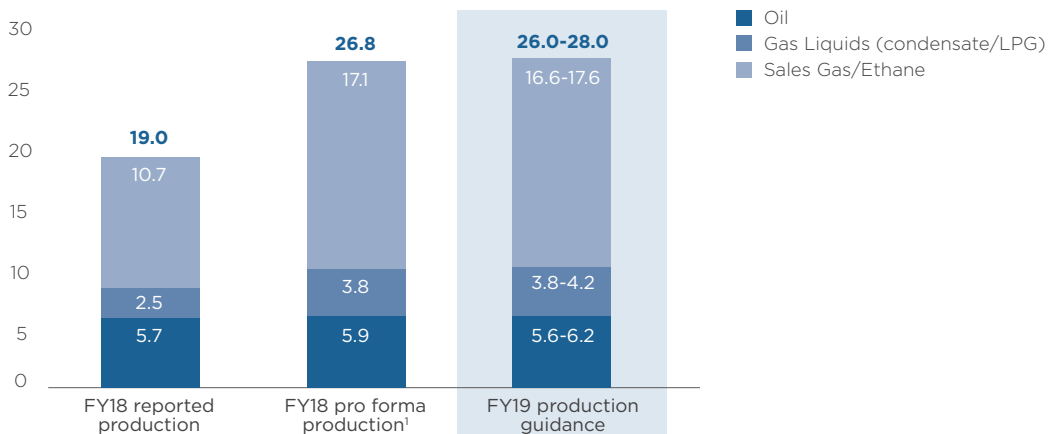
Actual or forecast number of wells drilled	FY18			FY19		
	Gas	Oil	Total	Gas	Oil	Total
Cooper Basin JV	40	24	64	65	22	87
Western Flank	11	15	26	8	35	43
Other Cooper Basin	1	4	5	0	0	0
Total Cooper Basin	52	43	95	73	57	130
South Australia Otway Basin	1	0	1	2	0	2
Victoria (Otway and Bass Basins)	0	0	0	1	0	1
Western Australia	0	0	0	0	0	0
Beach Total	53	43	96	76	57	133

FY19 production guidance

FY19 production volumes are expected to be within the range of 26.0 – 28.0 MMboe, broadly in-line with pro forma¹ FY18 production volumes of 26.8 MMboe.

FY19 product split (gas / gas liquids / oil) is expected to be broadly unchanged from FY18 levels. Liquids (gas liquids and oil) are expected to generate more than 60% of Beach revenues in FY19.

Production (MMboe)



1. Pro forma FY18 defined as a Beach FY18 reported production of 19.0 MMboe plus H1 FY18 Lattice production of 7.9 MMboe. H1 FY18 Lattice production which was not consolidated within the accounts of Beach. This information is provided for information purposes only and should not be relied upon.

Funding and capital management

As at 30 June 2018, Beach held cash and cash equivalents of \$311 million. On 23 November 2017, Beach entered into a \$1,475 million Senior Secured Debt Facility comprised of a \$475 million three year term debt facility (Facility A), \$475 million five year term debt facility (Facility B), \$450 million five year revolving debt facility (Facility C), and \$75 million Letter of Credit facility (Facility D).

As at 30 June 2018, \$475 million of Facility A was drawn, \$475 million of Facility B was drawn and Facility C remained fully undrawn, with \$48.3 million of Facility D being utilised by way of bank guarantees.

Beach anticipates that its current funding to be adequate for capital expenditure anticipated in the 2019 financial year.

Material Business Risks

Beach recognises that the management of risk is a critical component in Beach achieving its purpose of delivering sustainable growth in shareholder value.

The Company has a framework to identify, understand, manage and report risks. As specified in its Board Charter, the Board has responsibility for overseeing Beach's risk management framework and monitoring its material business risks.

Given the nature of Beach's operations, there are many factors that could impact Beach's operations and results. The material business risks that could have an adverse impact on Beach's financial prospects or performance include economic risks, health, safety and environmental risks, community and social licence risks and legal risks. These may be further categorised as strategic risks, operational risks, commercial risks, regulatory risks, reputational risks and financial risks. A description of the nature of the risk and how such risks are managed is set out below. This list is neither exhaustive nor in order of importance.

Economic risks

Exposure to oil and gas prices

A decline in the price of oil and gas may have a material adverse effect on Beach's financial performance. Historically, international crude oil prices have been very volatile. A sustained period of low or declining crude oil prices could adversely affect Beach's operations, financial position and ability to finance developments. Beach has a policy for hedging oil price and currency risks. Beach uses a structured framework for capital allocation decisions. The process provides rigorous value and risk assessment against a broad range of business metrics and stringent hurdles to maximise return on capital. This process is a significant development in Beach's continuing focus on reducing capital and operating expenditure and improving business efficiency.

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

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

Value Realisation from Commercial Transactions

Commercial transactions undertaken with a growth focus, including the Lattice acquisition, present economic and operational risks that have the potential to impact anticipated value. Beach has implemented a robust integration process including a parallel integration risk management process to reduce the likelihood of sub-optimal outcomes in this respect.

Foreign exchange and hedging risk

Beach's financial report is presented in Australian dollars. Beach converts funds to foreign currencies as its payment obligations in those jurisdictions where the Australian dollar is not an accepted currency become due. Certain of Beach's costs will be incurred in currencies other than Australian dollars, including the US dollar and the New Zealand dollar. Accordingly, Beach is subject to fluctuations in the rates of currency exchange between these currencies.

The Company uses derivative financial instruments such as foreign exchange contracts, commodity contracts and interest rate swaps to hedge certain risk exposures, including commodity price fluctuations through the sale of petroleum productions and other oil-linked contracts. The Company does not have a policy to hedge interest rates, which means it may be adversely affected by fluctuations in interest rates.

Ability to access funding

Although Beach is currently in a strong liquidity position, the oil and gas business involves significant capital expenditure on exploration and development, production, processing and transportation. Beach relies on cash flows from operating activities and bank borrowings and offerings of debt or equity securities to finance capital expenditure.

Beach has a Board approved financial risk management policy covering areas such as liquidity, investment management, debt management, interest rate risk, foreign exchange risk, commodity risk and counterparty credit risk. The policy sets out the organisational structure to support this policy. Beach has a treasury function and clear delegations and reporting obligations. The annual capital and operating budgeting processes approved by the Board ensure appropriate allocation of resources.

Operational risks

Joint Venture Operations

Beach participates in a number of joint ventures for its business activities. This is a common form of business arrangement designed to share risk and other costs. Under certain joint venture operating agreements, Beach may not control the approval of work programs and budgets and a joint venture partner may vote to participate in certain activities without the approval of Beach. As a result, Beach may experience a dilution of its interest or may not gain the benefit of the activity, except at a significant cost penalty later in time.

Failure to reach agreement on exploration, development and production activities may have a material impact on Beach's business. Failure of Beach's joint venture partners to meet financial and other obligations may have an adverse impact on Beach's business.

Beach works closely with its joint venture partners to minimise joint venture misalignment.

Material change to reserves and resources

Underground oil and gas reserves and resources estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which are valid at a certain point in time may alter significantly or become uncertain when new oil and gas reservoir information becomes available through additional drilling, or reservoir engineering over the life of the field. As reserves and resources estimates change, development and production plans may be altered in a way that may adversely affect Beach's operations and financial results.

Beach prepares its petroleum reserves and contingent resources estimates in accordance with the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers and are subject to periodic external review or audit.

Exploration and development

Success in oil and gas production is key and in the normal course of business Beach depends on the following factors: successful exploration, establishment of commercial oil and gas reserves, finding commercial solutions for exploitation of reserves, ability to design and construct efficient production, gathering and processing facilities, efficient transportation and marketing of hydrocarbons and sound management of operations. Oil and gas exploration is a speculative endeavour and the nature of the business carries a degree of risk associated with failure to find hydrocarbons in commercial quantities or at all.

Beach utilises well-established prospect evaluation and ranking methodology to manage exploration and development risks.

Production risks

Any oil or gas project, including off-shore activity, may be exposed to production decrease or stoppage, which may be the result of facility shut-downs, mechanical or technical failure, climactic events and other unforeseeable events. A significant failure to maintain production could result in Beach lowering production forecasts, loss of revenue and additional operational costs to bring production back online.

There may be occasions where loss of production may incur significant capital expenditure, resulting in the requirement for Beach to seek additional funding, through equity or debt. Beach's approach to facility design, process safety and integrity management is critical to mitigating production risks.

Cyber Risk

The integrity, availability and reliability of data within Beach's information and operational technology systems may be subject to intentional or unintentional disruption (for example, cyber security attack). Beach continues to invest in leading systems to prevent such attacks and to optimise response should one occur.

Social licence to operate risks

Regulatory risk

Changes in government policy (such as in relation to taxation, environmental protection and the methodologies permitted to be used in oil and gas exploration and production activity such as produced water disposal) or statutory changes may affect Beach's business operations and its financial position. A change in government regime may significantly result in changes to fiscal, monetary, property rights and other issues which may result in a material adverse impact on Beach's business and its operations.

Companies in the oil and gas industry may also be required to pay direct and indirect taxes, royalties and other imposts in addition to normal company taxes. Beach currently has operations or interests in Australia and New Zealand. Accordingly its profitability may be affected by changes in government taxation and royalty policies or in the interpretation or application of such policies in each of these jurisdictions.

Beach monitors changes in relevant regulations and engages with regulators and governments to ensure policy and law changes are appropriately influenced and understood.

Permitting risk

All petroleum licences held by Beach are subject to the granting and approval of relevant government bodies and ongoing compliance with licence terms and conditions.

Tenure management processes and standard operating procedures are utilised to minimise the risk of losing tenure.

Land access and Native Title

Beach is required to obtain the consent of owners and occupiers of land within its licence areas. Compensation may be required to be paid to the owners and occupiers of land in order to carry out exploration activities.

Beach operates in a number of areas within Australia that are or may become subject to claims or applications for native title determinations or other third party access. Although Beach has experience in dealing with native title claims in Australia in relation to some of its existing Cooper Basin licences, native title claims have the potential to introduce delays in the granting of petroleum and other licences and, consequently, may have an effect on the timing and cost of exploration, development and production.

Native or indigenous title and land rights may also apply or be implemented in other jurisdictions in which Beach operates outside of Australia.

Beach's standard operating procedures and stakeholder engagement processes are used to manage land access and native title risks.

Health, safety and environmental risks

The business of exploration, development, production and transportation of hydrocarbons involves a variety of risks which may impact the health and safety of personnel, the community and the environment.

Oil and gas production and transportation can be impacted by natural disasters, operational error or other occurrences which can result in hydrocarbon leaks or spills, equipment failure and loss of well control. Potential failure to manage these risks could result in injury or loss of life, damage or destruction of wells, production facilities, pipelines and other property, damage to the environment, legal liability and damage to Beach's reputation.

Losses and liabilities arising from such events could significantly reduce revenues or increase costs and have a material adverse effect on the operations and/or financial conditions of Beach.

Beach employs a combination of insurance policies, standard operating procedures, contractor pre-qualification, facility design and integrity management systems to mitigate these risks.

Climate change

Beach is likely to be subject to increasing regulations and costs associated with climate change and management of carbon emissions. Strategic, regulatory and operational risks and opportunities associated with climate change are incorporated into Company policy, strategy and risk management processes and practices. The Company actively monitors current and potential areas of climate change risk and takes actions to prevent and/or mitigate any impacts on its objectives and activities. Reduction of waste and emissions is an integral part of delivery of cost efficiencies and forms part of the Company's routine operations.

Forward Looking Statements

This report contains forward-looking statements, including statements of current intention, opinion and predictions regarding the Company's present and future operations, possible future events and future financial prospects. While these statements reflect expectations at the date of this report, they are, by their nature, not certain and are susceptible to change. Beach makes no representation, assurance or guarantee as to the accuracy or likelihood of fulfilling of such forward looking statements (whether expressed or implied), and except as required by applicable law or the ASX Listing Rules, disclaims any obligation or undertaking to publicly update such forward-looking statements.

Material Prejudice

As permitted by sections 299(3) and 299A(3) of the Corporations Act 2001, Beach has omitted some information from the above Operating and Financial Review in relation to the Company's business strategy, future prospects and likely developments in operations and the expected results of those operations in future financial years on the basis that such information, if disclosed, would be likely to result in unreasonable prejudice (for example, because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage). The omitted information typically relates to internal budgets, forecasts and estimates, details of the business strategy, and contractual pricing.

Environmental regulations and performance statement

Beach participates in projects and production activities that are subject to the relevant exploration and development licences prescribed by government. These licences specify the environmental regulations applicable to the exploration, construction and operations of petroleum activities as appropriate. For licences operated by other companies, this is achieved by monitoring the performance of these companies against these regulations.

There have been no known significant breaches of the environmental obligations of Beach's operated contracts or licences during the financial year.

Beach reports under the National Greenhouse and Energy Reporting Act for its Australian Operations and the Climate Change Response Act 2002 for its New Zealand operations.

Dividends paid or recommended

Since the end of the financial year the directors have resolved to pay a fully franked dividend of 1.0 cents per share on 28 September 2018. The record date for entitlement to this dividend is 31 August 2018. The financial impact of this dividend, amounting to \$22.8 million has not been recognised in the Financial Statements for the year ended 30 June 2018 and will be recognised in subsequent Financial Statements.

The details in relation to dividends paid during the reporting period are set out below:

Dividend	Record Date	Date of payment	Cents per share	Total Dividends
FY17 Final	28 August 2017	29 September 2017	1.0	\$18.7 million
FY18 Interim	9 March 2018	29 March 2018	1.0	\$22.8 million

For Australian income tax purposes, all dividends were fully franked and were not sourced from foreign income.

Share options and rights

Beach does not have any options on issue at the end of financial year and has not issued any during FY18.

Share rights holders do not have any right to participate in any issue of shares or other interests in the Company or any other entity. There have been no unissued shares or interests under option of any controlled entity within the Group during or since the reporting date. For details of performance rights issued to executives as remuneration, refer to the Remuneration Report. During the financial year, the following movement in share rights to acquire fully paid shares occurred:

Executive Performance Rights

On 1 December 2017, Beach issued 1,122,117 Short Term Incentive (STI) unlisted performance rights under the Executive Incentive Plan (EIP). These performance rights, are exercisable for nil consideration and are not exercisable before 1 July 2018 and 1 July 2019.

On 1 December 2017, Beach also issued 2,029,050 Long Term Incentive (LTI) unlisted performance rights under the Executive Incentive Plan (EIP). These performance rights, which expire on 30 November 2022, are exercisable for nil consideration and are not exercisable before 1 December 2020. A further 963,475 LTI unlisted performance rights were issued on 9 April 2018 under the EIP, which expire on 30 November 2022, are exercisable for nil consideration and are not exercisable before 1 December 2020.

Rights	Balance at beginning of financial year	Issued during the financial year	Exercised during the financial year	Expired during the financial year and not exercised	Balance at end of financial year
2014 LTI unlisted rights					
Issue 1 December 2014	887,272	-	(799,344)	(87,928)	-
2015 LTI unlisted rights					
Issue 1 December 2015	1,739,185	-	-	(1,335,959)	403,226
2015 LTI unlisted rights					
Issue 19 May 2016	815,401	-	-	-	815,401
CEO STI unlisted rights					
Issue 19 May 2016	414,547	-	(414,547)	-	-
2016 LTI unlisted rights					
Issue 1 December 2016	2,485,295	-	-	(881,289)	1,604,006
2016 LTI unlisted rights					
Issue 21 February 2017	479,096	-	-	(203,253)	275,843
2016 STI unlisted rights					
Issue 1 December 2017	-	1,122,117	-	(201,596)	920,521
2017 LTI unlisted rights					
Issue 1 December 2017	-	2,029,050	-	(387,621)	1,641,429
2017 LTI unlisted rights					
Issue 9 April 2018	-	963,475	-	-	963,475
Total	6,820,796	4,114,642	(1,213,891)	(3,097,646)	6,623,901

Information on Directors

The names of the directors of Beach who held office during the financial year and at the date of this report are:

Glenn Stuart Davis

Independent non-executive Chairman - *LLB, BEc, FAICD*

Experience and expertise

Mr Davis has practiced as a solicitor in corporate and risk throughout Australia for over 30 years initially in a national firm and then a firm he founded. He brings to the Board his expertise in the execution of large transactions and his expertise and experience in corporate activity regulated by the Corporations Act and ASX Limited.

Current and former listed company directorships in the last 3 years

Mr Davis is a director of ASX listed company Monax Mining Limited (since 2004) and a former director of Marmota Energy Limited (from 2007 to June 2015).

Responsibilities

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

Date of appointment

Mr Davis joined Beach on 6 July 2007 as a non-executive director. He was appointed non-executive Deputy Chairman in June 2009 and Chairman in November 2012. He was last re-elected to the Board on 10 November 2016.

Colin David Beckett

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

Experience and expertise

As an engineer with over 40 years' experience in engineering design, project management, commercial and gas marketing, Mr Beckett offers a diverse and complementary set of skills in a range of technical disciplines. Mr Beckett previously held senior executive positions at Chevron Australia Pty Ltd, most recently as the General Manager responsible for the development of the Gorgon LNG and domestic gas project, being developed on Barrow Island offshore Western Australia. Mr Beckett read engineering at Cambridge University and has a Master of Arts (1975). He is currently the Chancellor of Curtin University and Chairman of Western Power. He is a past Chairman of Perth Airport Pty Ltd and also a past Chairman and board member of the Australian Petroleum Producers and Explorers Association (APPEA). In addition Mr Beckett is a past member of the West Australian Scitech Board and the Resources Sector Suppliers Advisory Forum and a Fellow of the Australian Institute of Engineers.

Current and former listed company directorships in the last 3 years

Nil

Responsibilities

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

Date of appointment

Mr Beckett was appointed to the Board on 2 April 2015, last having been re-elected to the Board on 23 November 2017.

Philip James Bainbridge

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

Experience and expertise

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

Current and former listed company directorships in the last 3 years

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

Responsibilities

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

Date of appointment

Mr Bainbridge was appointed to the Board on 1 March 2016, last having been elected to the Board on 10 November 2016.

James David McKerlie

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

Experience and expertise

Mr McKerlie brings to the Board over 20 years' experience as director and chairman of public companies. He is an experienced international executive and Chartered Accountant with appointments as a partner at KPMG and Partner in Charge at Deloitte.

Current and former listed company directorships in the last 3 years

He is the current chairman of ELMO Software Limited (since June 2017) and is the former chairman of Drillsearch Energy Limited (from 2008 to 2016), and a director of Great Artesian Oil and Gas, former chairman of Manalto Limited (from 2016 to 2017), Lithium Consolidated Minerals Exploration Limited (2017), onthehouse Limited (2010 to 2012) and Two Way TV (1999 to 2002).

Responsibilities

His special responsibilities include membership of the Audit Committee.

Date of appointment

Mr McKerlie was appointed to the Board on 1 March 2016 following the merger with Drillsearch and was last elected to the Board on 10 November 2016.

Peter Stanley Moore

Independent non-executive director - *PhD, BSc (Hons), MBA, GAICD*

Experience and expertise

Dr Moore has over 35 years of oil and gas industry experience. His career commenced at the Geological Survey of Western Australia, with subsequent appointments at Delhi Petroleum Pty Ltd, Esso Australia, ExxonMobil and Woodside. Dr Moore joined Woodside as Geological Manager in 1998 and progressed through the roles of Head of Evaluation, Exploration Manager Gulf of Mexico, Manager Geoscience Technology Organisation and Vice President Exploration Australia. From 2009 to 2013, Dr Moore led Woodside's global exploration efforts as Executive Vice President Exploration. In this capacity, he was a member of Woodside's Executive Committee and Opportunities Management Committee, a leader of its Crisis Management Team, Head of the Geoscience function and a director of ten subsidiary companies. From 2014 to 2018, Dr Moore was a Professor and Executive Director of Strategic Engagement at Curtin University's Business School. He has his own consulting company, Norris Strategic Investments Pty Ltd.

Current and former listed company directorships in the last 3 years

Dr Moore is currently a non-executive director of Central Petroleum Ltd (since 2014) and Carnarvon Petroleum Ltd (since 2015).

Responsibilities

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

Date of appointment

Dr Moore was appointed by the Board on 1 July 2017 and then elected to the Board on 23 November 2017.

Ryan Kerry Stokes

Non-executive director - *BComm, FAIM*

Experience and expertise

Mr Stokes is the Managing Director and Chief Executive Officer of Seven Group Holdings Limited (SGH). SGH is a listed diverse investment company involved in Industrial Services, Media, and Energy. SGH interests include 25.6% of Beach Energy, WesTrac, Coates Hire and 41% of Seven West Media Limited. Mr Stokes is Chairman of the National Gallery of Australia. He is also a member of the Prime Ministerial Advisory Council on Veterans' Mental Health, a Committee member of the innovationXchange (within the Department of Foreign Affairs and Trade), and a member of the International Olympic Committee Education Commission. His previous roles include Chairman of the National Library of Australia.

Current and former listed company directorships in the last 3 years

Mr Stokes is an executive director of SGH and a non-executive director of Seven West Media.

Responsibilities

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

Date of appointment

Mr Stokes was appointed to the Board on 20 July 2016 and then elected to the Board on 10 November 2016.

Richard Joseph Richards

Non-executive director - *BComs/Law (Hons), LL.M, MAppFin, CA, Admitted Solicitor*

Experience and expertise

Mr Richards is currently Chief Financial Officer of Seven Group Holdings Limited (SGH) (since October 2013). He is responsible for Finance across the diversified conglomerate (equipment manufacture, sales and service, equipment hire, investments, property, media and oil and gas). Mr Richards is a member of the Board of Directors of WesTrac, SGH Energy, is a Director and Chair of the Audit and Risk Committee of Coates Hire Pty Limited, a Director and Chair of the Audit and Risk Committee of KU Children Services (NFP) and a member of the Marcia Burgess Foundation Committee (DGR). He had held senior finance roles with Downer EDI, the Lowy Family Group and Qantas. Mr Richards is both a Chartered Accountant and admitted solicitor with over 30 years of experience in business and complex financial structures, corporate governance, risk management and audit.

Current and former listed company directorships in the last 3 years

Nil.

Responsibilities

His special responsibilities include membership of the Audit Committee, which he temporarily chaired during a casual vacancy.

Date of appointment

Mr Richards was appointed to the Board on 4 February 2017 and then elected to the Board on 23 November 2017.

Joycelyn Cheryl Morton

Independent non-executive director - *BEC, FCA, FCPA, FIPA, FCIS, FAICD*

Experience and expertise

Ms Morton has more than 38 years' experience in finance and taxation having begun her career with Coopers & Lybrand (now PwC), followed by senior management roles with Woolworths Limited and global leadership roles in Australia and internationally within the Shell Group of companies.

Ms Morton was National President of both CPA Australia and Professions Australia, has served on many committees and councils in the private, government and not-for-profit sectors and held international advisory positions. She holds a Bachelor of Economics degree from the University of Sydney. She is also a non-executive director of ASC Pty Ltd and Snowy Hydro Limited.

Current and former listed company directorships in the last 3 years

Her other current ASX listed board positions are Argo Investments Limited and Argo Global Listed Infrastructure Limited. She has valuable board experience across a range of industries, including previous roles as a non-executive director and Chair of both Thorn Group Limited and Noni B Limited and a non-executive director of Crane Group Limited, Count Financial Limited and InvoCare Limited.

Responsibilities

Her special responsibilities include Chairmanship of the Audit Committee.

Date of appointment

Ms Morton was appointed a non-executive director of Beach Energy Limited on 21 February 2018.

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

Fiona Rosalyn Vivienne Bennett

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

Experience and expertise

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

Current and former listed company directorships in the last 3 years

She is currently a director of Hills Holdings Limited (since 2010) and Select Harvests Limited (since 2017) and a former director of Boom Logistics Limited (from 2010 to 2015).

Responsibilities

Her special responsibilities included chairmanship of the Audit Committee and membership of the Risk, Corporate Governance and Sustainability Committee.

Date of appointment/resignation

Ms Bennett was elected to the Board on 23 November 2012, last having been re-elected to the Board on 25 November 2015. She retired on 23 November 2017.

Directors' meetings

The number of Directors' meetings and meetings of Committees of Directors held during the financial year and the number of meetings attended by each of the directors is set out below:

Name	NUMBER OF DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS		REMUNERATION AND NOMINATION COMMITTEE MEETINGS		RISK, CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE MEETINGS	
	Held ¹	Attended	Held	Attended	Held	Attended	Held	Attended
G S Davis	14	14	3	3	8	8	-	-
P J Bainbridge	14	14	-	-	-	-	4	4
C D Beckett	14	13	-	-	8	8	4	4
F R V Bennett	8	7	3	2	-	-	2	1
J D McKerlie	14	14	7	7	-	-	-	-
P S Moore	14	14	-	-	-	-	2	2
J C Morton	4	4	1	1	-	-	-	-
R J Richards	14	14	7	7	-	-	-	-
R K Stokes	14	13	-	-	8	8	-	-

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

Board Committees

Chairmanship and current membership of each of the board committees at the date of this report are as follows:

Committee	Chairman	Members
Audit	J C Morton	J D McKerlie, R J Richards
Risk, Corporate Governance & Sustainability	P J Bainbridge	C D Beckett, P S Moore
Remuneration and Nomination	C D Beckett	G S Davis, R K Stokes, P S Moore

Indemnity of Directors and Officers

Beach has arranged directors' and officers' liability insurance policies that cover all the directors and officers of Beach and its controlled entities. The terms of the policies prohibit disclosure of details of the amount of the insurance cover, the nature thereof and the premium paid.

Company Secretary

Peter Kupniewski

Company Secretary - LL.B/LP

Mr Kupniewski joined Beach in June 2018 as Senior Legal Manager & Company Secretary. He most recently worked as an in house lawyer with Santos Ltd working on asset acquisitions and divestments, gas marketing and transport, native title and cultural heritage, contracting and procurement and commercial disputes. Prior to Santos, Mr Kupniewski spent 13 years in private legal practice where he gained extensive experience working on takeovers and schemes, capital raisings, commercial disputes and meeting the daily head office needs of a range of ASX listed entities.

Non-audit services

Beach may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with Beach are important.

The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the audit independence requirement of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principle relating to auditor independence as set out in APES 110 Code - Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for Beach, acting as advocate for Beach or jointly sharing economic risk and reward.

Details of the amounts paid or payable to the external auditors, Ernst & Young, for audit and non-audit services provided during the year are set out at Note 28 to the financial statements.

Rounding off of amounts

Beach is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission applies relating to the rounding off of amounts. Accordingly, amounts in the directors' report and the financial statements have been rounded to the nearest hundred thousand dollars, unless shown otherwise.

Proceedings on behalf of Beach

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Beach, or to intervene in any proceedings to which Beach is a party, for the purpose of taking responsibility on behalf of Beach for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of Beach with leave of the Court under Section 237 of the *Corporations Act 2001*.

Audit independence declaration

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

This directors' report is signed in accordance with a resolution of directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the directors



G S Davis

Chairman

Adelaide, 20 August 2018

AUDITOR'S 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 audit of Beach Energy Limited for the financial year ended 30 June 2018, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that appears to be 'AJ' followed by a horizontal line.

Anthony Jones
Partner
Adelaide
20 August 2018

2018 REMUNERATION IN BRIEF (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

FY18 remuneration outcomes at a glance

Fixed Remuneration	No increase for senior executives	Total fixed remuneration (TFR) for senior executives employed in FY17 and FY18 did not increase from the previous year.
Short Term Incentive (STI)	STI awarded	The board awarded an STI to senior executives.
Long Term Incentive (LTI)	LTI partially vested	The 2014 LTI performance rights partially vested following achievement of the performance condition.
Non-executive directors	Director fee increases	The board engaged an external remuneration consultant to provide benchmark board and committee fee data. Following a review of this data, the Board increased annual board fees (but not committee fees) for the coming year from \$250,000 for the Chairman to \$275,000, \$121,000 for the Deputy Chairman from \$100,000 and for members, \$110,000 from \$100,000. Board fees had not previously increased since 2012.
2017 AGM Remuneration Report	98% 'Yes vote'	Beach received more than 98% of 'yes' votes on a poll to adopt its Remuneration Report for the 2017 financial year. No specific feedback on Beach's remuneration practices was received at the 2017 annual general meeting.

Remuneration to executive key management personnel in FY18

A summary of the audited cost to the Company of executive key management personnel (KMP) remuneration is provided in Table 10.

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

The following table is a summary of remuneration actually paid to executive KMP in FY18. It is not audited.

Table 1: Remuneration to executive key management personnel (unaudited)

Name	TFR					Total Cash \$
	Salary \$	Super \$	STI cash bonus \$	Other ¹ \$	Termination \$	
Current KMP						
M V Kay <i>Chief Executive Officer</i>	878,000	25,000	364,662	-	-	1,267,662
M Engelbrecht <i>Chief Financial Officer</i>	500,000	25,000	172,129	-	-	697,129
D Summers ² <i>Chief Operating Officer</i>	275,655	10,142	41,640	-	-	327,437
G J Barker ³ <i>Group Executive Development</i>	181,520	17,244	28,172	-	-	226,936
L Marshall ⁴ <i>Group Executive Corporate Strategy & Commercial</i>	244,638	12,500	35,698	-	-	292,836
J L Schrull <i>Group Executive Exploration & Appraisal</i>	454,951	20,049	133,603	-	-	608,603
Former KMP						
K Hollingsworth ⁵	167,133	12,940	-	-	102,328	282,401
C L Oster ⁶	223,378	12,500	-	-	-	235,878
R A Rayner ⁷	228,863	12,402	-	-	653,873	895,138
M R Squire ⁸	217,455	13,406	41,055	-	-	271,916
M R Dodd ⁹	248,347	12,500	-	1,019	399,593	661,459
Total	3,619,940	173,683	816,959	1,019	1,155,794	5,767,395

1. Other remuneration includes allowances paid under the terms and conditions of employment such as vehicle allowances.

2. Appointed 31 January 2018.

3. Appointed 19 February 2018.

4. Appointed 15 January 2018.

5. Ceased on 31 December 2017.

6. Ceased to be KMP on 31 December 2017. A termination payment of \$644,184 was made to Ms Oster during FY18 but after she ceased to be a KMP.

7. Ceased on 15 December 2017.

8. Ceased to be KMP close of business on 14 January 2018.

9. Ceased on 31 December 2017.

REMUNERATION REPORT (AUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

This report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (Corporations Act) for the consolidated entity for the financial year ended 30 June 2018. It has been audited as required by section 308(3C) of the Corporations Act and forms part of the Directors' Report.

Key management personnel

The Company's KMP are listed in Table 2. They are the Company's non-executive directors (NED) and executive KMP who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

Table 2: Key management personnel during FY18

Name	Position	Period as KMP during the year
Executive KMP		
M V Kay	Chief Executive Officer	All of FY18
M Engelbrecht	Chief Financial Officer	All of FY18
D Summers	Chief Operating Officer	Appointed 31 January 2018
G J Barker	Group Executive Development	Appointed 19 February 2018
L Marshall	Group Executive Corporate Strategy and Commercial	Appointed 15 January 2018
J L Schrull	Group Executive Exploration and Appraisal	All of FY18
Former KMP		
M R Dodd	Chief Operating Officer	Ceased to be a KMP on 31 December 2017
K Hollingsworth	Group Executive Human Resources	Ceased to be a KMP on 31 December 2017
C L Oster	General Counsel and Company Secretary	Ceased to be a KMP on 31 December 2017
R A Rayner	Group Executive Commercial	Ceased to be a KMP on 15 December 2017
M R Squire	Group Executive Corporate Development and Strategy	Ceased to be a KMP close of business on 14 January 2018
Non-executive Directors		
G S Davis	Independent Chairman	All of FY18
P J Bainbridge	Non-executive Director	All of FY18
C D Beckett	Non-executive Director	All of FY18
J D McKerlie	Non-executive Director	All of FY18
P S Moore	Non-executive director	All of FY18
J C Morton	Non-executive Director	Appointed 21 February 2018
R J Richards	Non-executive Director	All of FY18
R K Stokes	Non-executive Director	All of FY18
Former Non-executive Directors		
F R V Bennett	Non-executive Director	Ceased to be a Director on 23 November 2017

Beach's remuneration policy framework

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

Beach's remuneration framework seeks to focus executives on delivering that purpose:

- Fixed remuneration aligns to market practice and prevailing economic conditions. It seeks to attract, motivate and retain executives focused on delivering Beach's purpose.
- 'At risk' performance based incentives link to shorter and longer term Company goals. The goals contribute to the achievement of Beach's purpose.
- Longer term 'at risk' incentives align with shareholder objectives and interests. Beach benchmarks shareholder returns against peers considered to be alternative investments to Beach. Beach offers share based rather than all cash rewards to executives.
- Beach may recover remuneration benefits paid if there has been fraud or dishonesty.
- The Corporations Act and Beach's Share Trading Policy prohibit hedging. Hedging is where a person enters a transaction to reduce the risk of an 'at risk' incentive. Beach has a process to track compliance with its no hedging policy. Beach's Share Trading Policy is available at Beach's website: www.beachenergy.com.au.

How Beach makes decisions about remuneration

The Board decides Beach's KMP remuneration. It decides that remuneration based on recommendations by its Remuneration and Nomination Committee. The Committee's members are all non-executive directors. Its charter is available at Beach's website: www.beachenergy.com.au. Beach's CEO may attend Committee meetings by invitation in an advisory capacity. Other executives may also attend by invitation. The Committee excludes executives from any discussion about their own remuneration.

External advisers and remuneration advice

During the year Beach engaged Guerdon Associates to provide services to the Company. It provided data to help the Board make decisions about Board and Committee fees. It did not make a remuneration recommendation for the purpose of the Corporations Act 2001.

Beach follows a protocol to engage any adviser to make a remuneration recommendation. The protocol ensures the recommendation is free from undue influence by management. The Board or Committee chair engages the adviser. The Board or Committee chair deals with the adviser on all material matters. Management involvement is only to the extent necessary to coordinate the work.

The Board and Committee seek recommendations from the Chief Executive Officer about executive remuneration. The Chief Executive Officer does not make any recommendation about his own remuneration.

The Board and Committee have regard to industry benchmarking information.

The Board and Committee consulted with governance specialists and other stakeholder groups throughout the year. The matters discussed included KMP remuneration. There were few consistent opinions between these groups. Even so the Board and Committee had regard to their views.

How Beach links performance to incentives

Beach's remuneration policy includes short and long term incentive plans. The plans seek to align management performance with shareholder interests.

The LTI links to an increase in total shareholder return over an extended period.

The STI has equal proportions of cash and performance rights. Performance rights may convert to Beach shares.

The following table shows some key shareholder wealth indicators.

KPI and STI awards for FY17 and FY18 are detailed in Table 10.

Table 3: Shareholder wealth indicators FY14 - FY18

	FY14	FY15	FY16	FY17	FY18
Total revenue	\$1,057.7m	\$735.5m	\$564.6m	\$665.7m	\$1,267.4m
Net profit / (loss) after tax	\$101.8m	(\$514.1m)	(\$588.8m)	\$387.5m	\$198.8m
Underlying net profit after tax	\$259.2m	\$90.7m	\$35.7m	\$161.7m	\$301.5m
Share price at year-end	168.0 cents	105.0 cents	61.0 cents	57.5 cents	175.5 cents
Dividends declared	4.00 cents	1.50 cents	0.50 cents	2.00 cents	2.00 cents
Reserves	86 MMboe	74 MMboe	70 MMboe	75 MMboe	313 MMboe
Production	9.6 MMboe	9.1 MMboe	9.7 MMboe	10.6 MMboe	19.0 MMboe

Senior executive remuneration structure

This section details the remuneration structure for senior executives.

Remuneration mix

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

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

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

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

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

REMUNERATION REPORT (AUDITED)
FOR THE YEAR ENDED 30 JUNE 2018

Table 4 sets out the relative proportions of the three elements of the executives KMP's total remuneration packages for the 2017 and 2018 financial years.

Table 4: Remuneration mix¹

Position	Fixed Remuneration %	PERFORMANCE BASED REMUNERATION		Total 'at risk' %
		STI %	LTI %	
Chief Executive Officer²				
2018	34	33	33	66
2017	34	33	33	66
Other Executive KMP				
2018	51	23	26	49
2017	51	23	26	49

1. The remuneration mix assumes maximum at risk awards. Percentages shown later in this report reflect the actual incentives paid as a percentage of total fixed remuneration, movements in leave balances and other benefits and share based payments calculated using the relevant accounting standards.
2. Mr Kay commenced as Chief Executive Officer on 2 May 2016 and was offered long term incentive 'at risk' remuneration for FY16. The figures here do not include the CEO's commencement grants.

Fixed remuneration

What is fixed remuneration?	Senior executives are entitled to a fixed cash remuneration amount inclusive of the guaranteed superannuation contribution. The amount is not based upon performance. Senior executives may decide to salary sacrifice part of their fixed remuneration for additional superannuation contributions and other benefits.
How is fixed remuneration reviewed?	Fixed remuneration is determined by the Board based on independent external review or advice that takes account of the role and responsibility of each senior executive. It is reviewed annually against industry benchmarking information including the National Awards Group Incorporated remuneration survey.

Fixed remuneration for the year

Total fixed remuneration (TFR) of KMP employed in FY17 and FY18 did not increase from the previous year.

Remuneration details for individuals are provided in Table 1 and Table 10. Table 10 reports on the remuneration for KMP as required under the Corporations Act. Table 1 shows the actually realised cash remuneration that KMP received.

Short Term Incentive (STI)

What is the STI?	The STI is part of 'at risk' remuneration offered to senior executives. It measures individual and Company performance over a 12 month period. The period coincides with Beach's financial year. It provides equal parts of cash and equity that may vest subject to extra retention conditions. It is offered to senior executives at the discretion of the Board.
How does the STI link to Beach's objectives?	The STI is an at risk opportunity for senior executives. It rewards senior executives for meeting or exceeding key performance indicators. The key performance indicators link to Beach's key purpose. The STI aims to motivate senior executives to meet Company expectations for success. Beach can only achieve its purpose if it attracts and retains high performing senior executives. An award made under the STI has a retention component. Half is paid in cash and half is issued as performance rights with service conditions attached.

What are the performance conditions or KPIs?

Beach's key performance indicators (KPIs) are set by the Board for each 12 month period beginning at the start of a financial year. They reflect Beach's financial and operational goals that are essential to it achieving its purpose. Senior executives also have individual KPIs to reflect their particular responsibilities.

For the reporting period, the performance measures comprised:

- Beach KPIs (60% weighting)
 - Production (15%)
 - Safety (10%)
 - Environment (5%)
 - Reserves replacement (15%)
 - Statutory NPAT (15%)
- Individual KPIs (40% weighting).

Refer to Table 6 for more information.

Individual KPIs link to Beach's strategy and strategic plan. Individual KPIs relate to areas where senior executives are able to influence or control outcomes. KPIs may include: delivery of cost savings; development of project specific plans to align with Beach's strategic pillars; specific initiatives for developing employee capability; funding capacity; improvements in systems to achieve efficiencies; specific commercial or corporate milestones; or specific safety and environmental targets.

Are there different performance levels?

The Board sets KPI measures at threshold, target and stretch levels. A participant must achieve the threshold level to entitle them to any payment for an individual KPI. The stretch level is the greatest performance outcome for an individual KPI.

What is the value of the STI award that can be earned?

Incentive payments are based on a percentage of a senior executive's fixed remuneration.

The Chief Executive Officer can earn up to a maximum of 100% of his fixed remuneration.

The value of the award that can be earned by other senior executives is up to a maximum of 45% of their fixed remuneration.

How are the performance conditions assessed?

The KPIs are reviewed against an agreed target.

The Board assesses the extent to which KPIs were met for the period after the close of the relevant financial year and once results are finalised. The Board assesses senior executive performance on the Chief Executive Officers recommendation. The Board assesses the achievement of the KPIs for the Chief Executive Officer.

Is there a threshold level of performance or hurdle before an STI is paid?

Yes. At the end of Beach's financial year there is a calculation of return on capital. There is also a calculation of a one year relative total shareholder return against the ASX 200 Energy Index. Refer to table 5 below.

Table 5: Two-tiered test

Measures	Green	Yellow	Red
<i>One year Relative Total Shareholder Return against ASX 200 Energy Total > Index Return of the Performance Period</i>	>Index return	=Index return	<Index return
Return on capital ¹	>5%	5%	<5%

1. Return on capital (ROC) is based on statutory NPAT/average total equity (being the average total equity at the beginning and end of the financial year)

The Board may use its discretion to award or reduce an STI if any one measure is in the red band or both measures are in the yellow band.

What happens if an STI is awarded?

On achievement of the relevant KPIs, Beach pays half of the STI award in cash. Beach includes cash awards in its financial statements for the relevant financial year. Beach pays cash awards after the end of its financial year, usually in September.

Beach issues the remaining half of the STI award value in performance rights. Performance rights vest over one and two years if the senior executive remains employed by Beach at each vesting date. If a senior executive leaves Beach before the vesting date the performance rights lapse. The Board may exercise its discretion for early vesting if the senior executive leaves Beach due to death or disability. The Board may exercise its discretion for early vesting in the event of a change of control of Beach. The Board also has a general discretion to allow early vesting of performance rights. The Board needs exceptional circumstances to consider exercising that general discretion.

STI Performance for the year

At the completion of the financial year the Board tested each senior executive's performance against the STI performance conditions set for the year after exercising its discretion in relation to the hurdle measures. The results of the two hurdle measures were:

Measures	FY18 Hurdle Measure
1 year Relative Total Shareholder Return against ASX 200 Energy Total Return Index (Index Return) at the end of the Performance Period	220.1%
Return on capital at the end of the Performance Period	11.1%

Both results fell in the green band.

The percentage of the maximum STI that will be paid or forfeited for the period for each executive KMP was as follows:

Mr Kay 81%/19%, Mr Engelbrecht 82%/18%, Ms Summers 66%/34%, Mr Marshall 74%/26%, Mr Barker 74%/26%, Mr Schroll 78%/22%.

The STI awards made reflect Beach's strong performance for FY18, including:

- The achievement of full year production at the high end of guidance.
- Beach's reserves replacement exceeding stretch targets.
- Beach's statutory NPAT exceeding stretch targets.

Further detail regarding the outcomes of the Company related performance conditions that make up 60% of the STI KPIs is provided in Table 6.

Table 6: Outcome of FY18 STI Company KPIs

STI Measure and weighting	Link to Beach's strategy	Performance and score
Production - 15 %	Production is fundamental to Beach's earnings and profit.	Full year production was 19.0 MMboe and at the high end of guidance of 18.1 - 19.1 MMboe. Score - met.
Reserves replacement - 15%	Replacing reserves is fundamental to Beach's longer term financial sustainability.	Beach's 1P reserves increased by 152 MMboe (+405%) to 190 MMboe and 2P reserves increased by 239 MMboe (+320%) to 313 MMboe. Approximately one third of the increase in 2P reserves was due to the underlying performance of the assets and exploration/appraisal success. 2P reserves life increased from 7 years at the end of FY17 to 11 years at the end of FY18. Score - met.
Safety - measured by total recordable injury frequency rate (TRIFR) - 10%	Beach's key value is that 'Safety takes precedence in everything we do'. Beach is focused on ensuring it and its contractors operate in a safe manner. Beach has included other safety and reliability measures in the annual Sustainability Report. The Sustainability Report is available on Beach's website.	Beach's safety record in the financial year did not meet the threshold target of 2.5 TRIFR. Score - not met.
Environment - 5%	Beach strives to reduce the environmental impact of its activities.	Beach partially achieved environmental targets for FY18. Score - partially met.
Statutory NPAT - 15%	Statutory NPAT reflects Beach's earning performance. Stretch performance is achieved through strong sales revenue and cost reduction.	In FY18 Beach delivered NPAT of \$198.8m. Score - met.

STI performance rights issued in 2016 to senior executives converted automatically to shares because they remained employed by the Company on 1 July 2018. A total of 460,259 shares were issued.

STI performance rights and CEO commencement rights issued or in operation in FY18

The fair value of services received in return for STI rights and the Chief Executive Officer's commencement rights (see Table 16) granted is measured by reference to the fair value of STI rights granted calculated using the Binomial or Black-Scholes Option Pricing Models. The contractual life of the STI rights is used as an input into the valuation model. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the rights), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate is based on Commonwealth Government bond yields relevant to the term of the performance rights.

Table 7: STI performance rights and CEO commencement rights issued or in operation in FY18

	CEO Rights	2016 Rights	2016 Rights
	Vested 2 May 2018	Retention to be tested on 1 July 2018	Retention to be tested on 1 July 2019
Number of securities issued	414,547	561,057	561,060
Share price	0.665	1.140	1.140
Exercise price	-	-	-
Vesting period (years)	2.0	0.6	1.6
Term (years)	2.0	0.6	1.6
Dividend yield	1.6%	1.6%	1.6%
Fair value of security at grant date	0.644	1.130	1.112
Total fair value at grant date	267,010	633,714	623,730

Long Term Incentive (LTI)

What is the LTI?	The LTI is an equity based 'at risk' incentive plan. The LTI aims to reward results that promote long term growth in shareholder value or total shareholder return (TSR). Beach offers LTIs to senior executives at the discretion of the Board.
How does the LTI link to Beach's key purpose?	The LTI links to Beach's key purpose by aligning the longer term 'at risk' incentive rewards with outcomes that match shareholder objectives and interests by: <ul style="list-style-type: none"> ▪ benchmarking shareholder returns against a group of companies considered alternative investments to Beach; ▪ giving share based rather than cash based rewards to executives. This links their own rewards to shareholder expectations of dividends and share price growth.
How are the number of rights issued to senior executives calculated?	The number of performance rights granted to the executives under the LTI is calculated as (fixed remuneration at 1 July [year] x [insert] % / Market Value). The Market Value is the market value of a fully paid ordinary share in the Company, calculated using a five day VWAP, up to and including the date the performance rights are granted. This method of calculating the number of performance rights does not discount for the value of anticipated dividends during the performance period.
What equity based grants are given and are there plan limits?	Beach grants performance rights using the formula set out above. If the performance conditions are met, senior executives have the opportunity to acquire one Beach share for every vested performance right. There are no plan limits as a whole for the LTI. This is due to the style of the plan and advice by external remuneration consultants about individual plan limits. Individual limits for the plans that are currently operational are set out in Table 8.
What is the performance condition?	The performance condition is based on Beach's Total Shareholder Return (TSR) relative to the ASX 200 Energy Total Return Index. The initial out-performance level is set at the Index return plus 5.5% compound annual growth rate (CAGR) over the three year performance period, such that: <ul style="list-style-type: none"> ▪ < the Index return - 0% vesting ▪ = the Index return - 50% vesting; ▪ Between the Index return and Index + 5.5% - a prorated number will vest; ▪ = or > Index return + 5.5% - 100% vesting.
Why choose this performance condition?	TSR is a measure of the return to shareholders over a period of time through the change in share price and any dividends paid over that time. The dividends are notionally reinvested to perform the calculation. Beach chose this performance condition to align senior executive remuneration with increased shareholder value. The Board has reinforced that alignment by imposing two more conditions. First, the Board sets a threshold level for the executive to meet before making an award. Secondly, the Board will not make an award if Beach's TSR is negative.

REMUNERATION REPORT (AUDITED)
FOR THE YEAR ENDED 30 JUNE 2018

Is shareholders equity diluted when shares are issued on vesting of performance rights or exercise of options?	The Board has not imposed dilution limits due to the structure of the LTI plan and the number of rights on issue. Any dilution would be minimal. If all the current performance rights vested at 30 June 2018, shareholders equity would have diluted by 0.29% (FY17 – 0.36%). It has been the practice of the Board when there is an entitlement to shares on vesting of performance rights to issue new shares. Yet there is provision for the buying of shares on market if the Board considers that dilution of shareholder equity may be material.
What happens to LTI performance rights on a change of control?	The Board reserves the discretion for early vesting in the event of a change of control of the Company. Adjustments to a participant's entitlements may also occur in the event of a company reconstruction and certain share issues.

Table 8: Details of LTI equity awards issued, in operation or tested during the year

Details	2014, 2015, 2016 and 2017 Performance Rights including CEO 2015 LTI performance rights
Type of grant	Performance rights
Calculation of grant limits for senior executives	Max LTI is 100% of Total Fixed Remuneration (TFR) for Chief Executive Officer Max LTI is 50% of TFR for other senior executives
Grant date	2017 Performance Rights 1 Dec 2017/9 April 2018 2016 Performance Rights 1 Dec 2016/21 February 2017 2015 Performance Rights 1 Dec 2015/19 May 2016 for Chief Executive Officer only 2014 Performance Rights 1 Dec 2014
Issue price of performance rights	Granted at no cost to the participant
Performance period <i>Note: the date immediately after the after the end of the performance period is the first date that the performance rights vest and become exercisable</i>	2017 Performance Rights 1 Dec 2017 – 30 Nov 2020 2016 Performance Rights 1 Dec 2016 – 30 Nov 2019 2015 Performance Rights 1 Dec 2015 – 30 Nov 2018 2014 Performance Rights 1 Dec 2014 – 30 Nov 2017
Expiry / lapse	Performance rights lapse if vesting does not occur on testing of performance condition
Expiry date	2017 Performance Rights 30 Nov 2022 2016 Performance Rights 30 Nov 2021 2015 Performance Rights 30 Nov 2020 2014 Performance Rights 30 Nov 2019
Exercise price on vesting	Not applicable – provided at no cost
What is received on vesting?	One ordinary share in Beach for every performance right
Status	2017 Performance Rights In progress 2016 Performance Rights In progress 2015 Performance Rights In progress 2014 Performance Rights Testing completed. Resulted in partial vesting of performance rights.

Details of LTI performance rights (including CEO 2015 LTI performance rights) issued or in operation in FY18

The fair value of services received in return for LTI performance rights granted is measured by reference to the fair value of LTI performance rights granted calculated using the Binomial or Black-Scholes Option Pricing Models. The estimate of the fair value of the services received for the LTI performance rights and options issued are measured with reference to the expected outcome, which may include the use of a Monte Carlo simulation. The contractual life of the LTI performance rights is used as an input into this model. Expectations of early exercise are incorporated into a Monte Carlo simulation method where applicable. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the rights or options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate is based on Commonwealth Government bond yields relevant to the term of the performance rights.

Table 9: Details of LTI performance rights (including CEO 2015 LTI performance rights) issued or in operation in FY18

	2014 Rights	2015 Rights	2015 CEO Rights	2016 Rights	2017 Rights
	Partially vested 30 Nov 2017	To be tested in December 2018	To be tested in December 2018	To be tested in December 2019	To be tested in December 2020
Number of securities issued	1,667,671	2,787,763	815,401	2,964,391	2,675,625
Share price	0.975	0.525	0.665	0.862	1.187
Volatility (average)	35.100%	46.155%	46.155%	57.101%	54.778%
Vesting Period (years)	3.0	3.0	3.0	3.0	3.0
Term (years)	5.0	5.0	5.0	5.0	5.0
Risk free rate	2.310%	2.160%	2.160%	2.538%	2.511%
Dividend yield	3.080%	2.860%	2.860%	2.404%	1.657%
Fair value of security at grant date (weighted average)	0.471	0.257	0.326	0.426	0.669
Total fair value at grant date	785,640	717,570	265,495	1,264,186	1,788,754

Employment agreements – senior executives

The senior executives have employment agreements with Beach.

The provisions relating to duration of employment, notice periods and termination entitlements of the senior executives are as follows:

Chief Executive Officer

The Chief Executive Officer's employment agreement commenced with effect 2 May 2016 and is ongoing until terminated by either Beach or Mr Kay on six months' notice. Beach may terminate the Chief Executive Officer's employment at any time for cause (for example, for serious breach) without notice. In certain circumstances Beach may terminate the employment on notice of not less than three months for issues concerning the Chief Executive Officer's performance that have not been satisfactorily addressed.

The Chief Executive Officer may also give one month's notice of termination of his employment in the event that Beach requires him to permanently transfer to another location outside of Adelaide. If this occurs, Beach will pay to the Chief Executive Officer a retirement payment equal to six months' salary.

Other senior executives

Other senior executives have employment agreements that are ongoing until terminated by either Beach from between 3 and 12 months' notice or the senior executive upon giving three months' notice. Beach may terminate a senior executive's appointment for cause (for example, for serious breach) without notice. Beach must pay any amount owing but unpaid to the employee whose services have been terminated at the date of termination, such as accrued leave entitlements. In certain circumstances Beach may terminate employment on notice of not less than three months for issues concerning the senior executives performance that have not been satisfactorily addressed. If Beach terminates the senior executive's appointment other than for cause or he or she resigns due to a permanent relocation of his or her workplace to a location other than Adelaide, then they are entitled to an amount up to one times their final annual salary.

Details of total remuneration for KMP calculated as required under the Corporations Act for FY17 and FY18

Legislative and IFRS reported remuneration for KMP

Details of the remuneration package by value and by component for senior executives in the reporting period and the previous period are set out in Table 10. These details differ from the actual payments made to senior executives for the reporting period that are set out in Table 1.

REMUNERATION REPORT (AUDITED)
FOR THE YEAR ENDED 30 JUNE 2018

Table 10: Senior executives' remuneration for FY17 and FY18 as required under the Corporations Act

Name	Year	SHORT TERM EMPLOYEE BENEFITS			SHARE BASED PAYMENTS ³			OTHER LONG TERM BENEFITS	Total \$	Total at risk %	Total issued in equity %
		Fixed Remuneration ¹ \$	Annual Leave \$	STI ²	LTI Rights \$	STI Rights \$	Termination \$	Long Service Leave \$			
M V Kay	2018	903,000	15,633	364,662	369,378	763,410	-	9,812	2,425,895	62	47
	2017	903,000	64,314	341,100	199,661	458,399	-	6,137	1,972,611	51	33
M Engelbrecht	2018	525,000	17,163	172,129	77,096	150,428	-	3,342	945,158	43	24
	2017	567,929	20,400	75,338	27,667	-	-	1,135	692,469	15	4
D Summers ⁴	2018	285,797	17,899	41,640	49,908	9,613	-	13,414	418,271	27	14
	2017	-	-	-	-	-	-	-	-	-	-
G J Barker ⁵	2018	198,764	11,985	28,172	33,874	5,863	-	974	279,632	25	14
	2017	-	-	-	-	-	-	-	-	-	-
L Marshall ⁶	2018	257,138	16,542	35,698	35,044	8,887	-	974	354,283	23	12
	2017	-	-	-	-	-	-	-	-	-	-
J L Schrull ⁷	2018	475,000	19,182	133,603	46,858	94,527	-	3,024	772,194	36	18
	2017	353,629	17,919	40,898	11,677	-	-	1,027	425,150	13	3
Former Senior Executives											
K Hollingsworth ⁸	2018	180,073	(469)	-	(8,604)	-	102,328	(757)	272,571	N/A	N/A
	2017	284,880	15,158	35,158	8,604	-	-	757	344,557	13	2
C L Oster ⁹	2018	235,878	12,259	-	58,821	59,283	-	(3,669)	362,572	N/A	N/A
	2017	471,755	(18,790)	121,236	113,713	-	-	13,308	701,222	34	16
R A Rayner ¹⁰	2018	241,265	(19,079)	-	(77,922)	-	653,873	(56,933)	741,204	N/A	N/A
	2017	524,127	16,474	70,600	126,339	-	-	20,938	758,478	29	17
M R Squire ¹¹	2018	230,861	5,838	41,055	56,047	73,518	-	8,170	415,489	N/A	N/A
	2017	430,525	(535)	114,136	89,589	-	-	13,442	647,157	34	14
M R Dodd ¹²	2018	261,866	800	-	(27,493)	-	399,593	(7,000)	627,766	N/A	N/A
	2017	522,280	(13,732)	93,098	27,493	-	-	15,381	644,520	19	4
Total	2018	3,794,642	97,753	816,959	613,007	1,165,529	1,155,794	(28,649)	7,615,035	34	23
	2017	4,058,125	101,208	891,564	604,743	458,399	-	72,125	6,186,164	22	9

- Fixed remuneration comprises base salary and superannuation and ad hoc payments treated as remuneration, relocation and vehicle allowances.
- This amount represents the cash portion of the STI for FY18, which are expected to be paid in October 2018. It also includes additional cash bonuses totalling \$125,000 awarded by the Board to selected KMP in recognition of the successful transaction to acquire Lattice Energy Limited.
- In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively expensed over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the rights vest. The fair value of the rights as at the date of their grant has been determined in accordance with principles set out in Note 4 to the Financial Statements.
- Ms Summers became a KMP on 31 January 2018 when she commenced as Chief Operating Officer. Figures shown for Ms Summers are for the period 31 January 2018 to 30 June 2018. She was not a KMP in FY17.
- Mr Barker became a KMP on 19 February 2018 when he commenced as Group Executive Development. Figures shown for Mr Barker are for the period 19 February 2018 to 30 June 2018. He was not a KMP in FY17. 'Fixed remuneration' includes a relocation payment made to Mr Barker.
- Mr Marshall became a KMP on 15 January 2018 when he commenced as Group Executive Corporate Strategy and Commercial. Figures shown for Mr Marshall are for the period 15 January 2018 to 30 June 2018. He was not a KMP in FY17. 'Fixed remuneration' includes a relocation payment made to Mr Marshall.
- Mr Schrull became a KMP on 3 January 2017 when he commenced as Group Executive Exploration & Development. FY17 figures shown for Mr Schrull are for the period 3 January 2017 to 30 June 2017.
- Mr Hollingsworth became a KMP on 5 December 2016 when he commenced as Group Executive Human Resources. FY17 figures shown for Mr Hollingsworth are for the period 5 December 2016 to 30 June 2017. Mr Hollingsworth ceased to be a KMP on 31 December 2017 as part of a corporate restructure following the acquisition of Lattice Energy Ltd. His employment by Beach ended on 4 January 2018. FY18 figures shown for Mr Hollingsworth are for the period 1 July 2017 to 4 January 2018.
- Ms Oster ceased to be a KMP on 31 December 2017 as part of a corporate restructure following the acquisition of Lattice Energy Ltd. FY18 figures shown for Ms Oster are for the period 1 July 2017 to 31 December 2017. A termination payment of \$644,184 was made to Ms Oster during FY18 but after she ceased to be a KMP.
- Mr Rayner ceased to be a KMP on 15 December 2017. FY18 figures shown for Mr Rayner are for the period 1 July 2017 to 15 December 2017.
- Mr Squire ceased to be a KMP on 15 January 2018 when Mr Marshall commenced in the role as Group Executive Corporate Strategy and Commercial. FY18 figures for Mr Squire are for the period 1 July 2017 to close of business 14 January 2018.
- Mr Dodd ceased to be a KMP on 31 December 2017. FY18 figures for Mr Dodd are for the period 1 July 2017 to 31 December 2017.

Remuneration policy for non-executive directors

The fees paid to non-executive directors are determined using the following guidelines. Fees are:

- not incentive or performance based but are fixed amounts;
- determined by reference to the nature of the role, responsibility and time commitment required for the performance of the role including membership of board committees;
- are based on independent advice and industry benchmarking data; and
- driven by a need to attract a diverse and well-balanced group of individuals with relevant experience and knowledge.

The remuneration of Beach non-executive directors is within the aggregate annual limit of \$1,500,000 approved by shareholders at the 2016 annual general meeting.

The remuneration for non-executive directors comprises directors' fees, board committee fees and superannuation contributions to meet Beach's statutory superannuation obligations.

Directors who perform extra services for Beach or make any special exertions on behalf of Beach may be remunerated for those services in addition to the usual directors' fees. Non-executive directors are also entitled to be reimbursed for their reasonable expenses incurred in the performance of their directors' duties.

Details of the fees payable to non-executive directors for Board and committee membership are set out in Table 11.

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

BOARD ¹		BOARD COMMITTEE					
Chairman / Deputy Chairman \$	Member \$	Chairman Audit \$	Member Audit \$	Chairman Remuneration and Nomination \$	Member Remuneration and Nomination \$	Chairman Risk, Corporate Governance and Sustainability \$	Member Risk, Corporate Governance and Sustainability \$
275,000 / 121,000	110,000	25,000	15,000	25,000	15,000	15,000	10,000

1. The Chairman does not receive additional fees for committee work. The fees shown are inclusive of the statutory superannuation contribution.

REMUNERATION REPORT (AUDITED)
FOR THE YEAR ENDED 30 JUNE 2018

Table 12: Non-executive directors' remuneration for FY17 and FY18

Name	Year	Directors Fees (inc committee fees) \$	Superannuation \$	Total \$
G S Davis ¹	2018	275,000	-	275,000
	2017	250,000	-	250,000
P J Bainbridge ²	2018	100,500	24,500	125,000
	2017	82,500	35,000	117,500
C D Beckett ³	2018	142,466	13,534	156,000
	2017	132,420	12,580	145,000
F R V Bennett ⁴	2018	52,667	5,003	57,670
	2017	130,898	12,435	143,333
J D McKerlie ⁵	2018	114,155	10,845	125,000
	2017	96,271	18,729	115,000
R J Richards ⁶	2018	116,521	11,070	127,591
	2017	42,447	4,032	46,479
R K Stokes ⁷	2018	114,155	10,845	125,000
	2017	93,462	8,879	102,341
P S Moore ⁸	2018	105,957	10,066	116,023
	2017	-	-	-
J C Morton ⁹	2018	44,178	4,197	48,375
	2017	-	-	-
Total	2018	1,065,599	90,060	1,155,659
	2017	827,998	91,655	919,653

1. No superannuation contributions were made on behalf of Mr Davis. Director's fees for Mr Davis are paid to a related entity. Mr Davis does not receive additional fees for committee work.
2. Mr Bainbridge is chair of the Risk, Corporate Governance and Sustainability Committee.
3. Mr Beckett is Deputy Chairman and chair of the Remuneration and Nomination Committee. He is a member of the Risk, Corporate Governance and Sustainability Committee.
4. Ms Bennett retired as a director on 23 November 2017. Until her retirement she was chair of the Audit Committee and a member of the Risk, Corporate Governance and Sustainability Committee.
5. Mr McKerlie is a member of the Audit Committee.
6. Mr Richards is a member of the Audit Committee. He was chair of the Audit Committee from 23 November 2017 to 21 February 2018.
7. Mr Stokes is a member of the Remuneration and Nomination Committee.
8. Dr Moore became a member of the Risk, Corporate Governance and Sustainability Committee on 23 November 2017.
9. Ms Morton commenced as a director on 21 February 2018. She became chair of the Audit Committee on that date.

Other KMP disclosures

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

Performance rights held by KMP

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

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

Rights	Opening balance	Granted	Rights exercised / rights vested	Other¹	Closing balance
CEO					
M V Kay	2,279,060	1,439,850	(414,547)	-	3,304,363
Senior executives					
M Engelbrecht	304,879	378,129	-	-	683,008
D Summers	-	320,960	-	-	320,960
G J Barker	-	217,845	-	-	217,845
L Marshal	-	225,365	-	-	225,365
J L Schrull	275,843	294,893	-	-	570,736
Former senior executives					
K Hollingsworth	203,253	225,989	-	(429,242)	-
C L Oster	941,211	363,228	(203,074)	(1,101,365)	-
R A Rayner	1,045,700	-	(225,618)	(820,082)	-
M R Squire	858,953	331,483	(185,326)	(1,005,110)	-
M R Dodd	302,959	-	-	(302,959)	-
Total	6,211,858	3,797,742	(1,028,565)	(3,658,758)	5,322,277

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

REMUNERATION REPORT (AUDITED)
FOR THE YEAR ENDED 30 JUNE 2018

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

Table 14: Shareholdings of key management personnel

Ordinary Shares	Opening balance	Purchased ¹	Sold	Issued upon vesting of performance rights	Other ²	Closing balance
Directors						
G S Davis	126,186	27,040	-	-	-	153,226
P J Bainbridge	97,250	20,840	-	-	-	118,090
C D Beckett	41,929	23,985	-	-	-	65,914
F R V Bennett	100,075	21,444	-	-	-	121,519
J D McKerlie	349,868	74,972	(300,000)	-	-	124,840
R K Stokes	-	-	-	-	-	-
R J Richards	147,776	31,667	-	-	-	179,443
P S Moore	-	22,500	-	-	-	22,500
J C Morton	-	50,000	-	-	-	50,000
Senior executives						
M V Kay	565,956	121,277	-	414,547	-	1,101,780
M Engelbrecht	-	-	-	-	-	-
D Summers	-	-	-	-	-	-
G J Barker	-	-	-	-	-	-
L Marshall	-	-	-	-	-	-
J L Schrull	-	-	-	-	-	-
Former senior executives						
K Hollingsworth	-	-	-	-	-	-
C L Oster	89,352	15,332	-	203,074	(307,758)	-
R A Rayner	106,157	22,748	-	225,618	(354,523)	-
M R Squire	-	-	-	185,326	(185,326)	-
M R Dodd	121,932	-	-	-	(121,932)	-
Total	1,746,481	431,805	(300,000)	1,028,565	(969,539)	1,937,312

1. Includes shares issued under entitlement offer.

2. Relates to changes resulting from individuals ceasing to be KMPs during the period, or expiration of employee incentive plan shares.

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

Table 15: Commencement rights for CEO

	GRANTED		VESTED		Lapsed
	Number	Maximum value	Number	Maximum value	
Retention and commencement rights in partial recognition of incentives foregone for previous employment					
M V Kay	414,547	267,010	414,547	267,010	-
Total	414,547	267,010	414,547	267,010	-

REMUNERATION REPORT (AUDITED)
FOR THE YEAR ENDED 30 JUNE 2018

Specific details of the number of LTI and STI performance rights and CEO commencement and retention rights issued, vested and lapsed in FY18 for KMP are set out below in Table 16.

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

Name	Date of grant	Performance rights on issue at 30 June 2017	Fair Value \$	Granted	Vested	Lapsed	Performance rights on issue at 30 June 2018	Date performance rights vest and become exercisable
M V Kay	19 May 2016	815,401	0.326	-	-	-	815,401	1 Dec 2018
	19 May 2016	414,547	0.644	-	(414,547)	-	-	2 May 2018
	1 Dec 2016	1,049,112	0.467	-	-	-	1,049,112	1 Dec 2019
	1 Dec 2017	-	1.130	295,396	-	-	295,396	1 Jul 2018
	1 Dec 2017	-	1.112	295,397	-	-	295,397	1 Jul 2019
	1 Dec 2017	-	0.616	849,057	-	-	849,057	1 Dec 2020
Total		2,279,060		1,439,850	(414,547)	-	3,304,363	
Total (\$)				1,185,147	267,010	-		
M Engelbrecht	1 Dec 2016	304,879	0.467	-	-	-	304,879	1 Dec 2019
	1 Dec 2017	-	1.130	65,243	-	-	65,243	1 Jul 2018
	1 Dec 2017	-	1.112	65,244	-	-	65,244	1 Jul 2019
	1 Dec 2017	-	0.616	247,642	-	-	247,642	1 Dec 2020
Total		304,879		378,129	-	-	683,008	
Total (\$)				298,796	-	-		
D Summers	9 Apr 2018	-	0.800	320,960	-	-	320,960	1 Dec 2020
Total		-		320,960	-	-	320,960	
Total (\$)				256,672				
L Marshall	9 Apr 2018	-	0.800	225,365	-	-	225,365	1 Dec 2020
Total		-		225,365	-	-	225,365	
Total (\$)				180,224				
G J Barker	9 Apr 2018	-	0.800	217,845	-	-	217,845	1 Dec 2020
Total		-		217,845	-	-	217,845	
Total (\$)				174,211				
J L Schrull	21 Feb 2017	275,843	0.218	-	-	-	275,843	1 Dec 2019
	1 Dec 2017	-	1.130	35,418	-	-	35,418	1 Jul 2018
	1 Dec 2017	-	1.112	35,418	-	-	35,418	1 Jul 2019
	1 Dec 2017	-	0.616	224,057	-	-	224,057	1 Dec 2020
Total		275,843		294,893	-	-	570,736	
Total (\$)				217,420				
M R Dodd	1 Dec 2016	302,959	0.467	-	-	(302,959)	-	1 Dec 2019
Total		302,959		-	-	(302,959)	-	
Total (\$)				-	-	141,391		
K Hollingsworth	21 Feb 2017	203,253	0.218	-	-	(203,253)	-	1 Dec 2019
	1 Dec 2017	-	1.130	30,447	-	(30,447)	-	1 Jul 2018
	1 Dec 2017	-	1.112	30,447	-	(30,447)	-	1 Jul 2019
	1 Dec 2017	-	0.616	165,095	-	(165,095)	-	1 Dec 2020
Total		203,253		225,989	-	(429,242)	-	
Total (\$)				169,953	-	214,201		
C L Oster	1 Dec 2014	225,412	0.471	-	(203,074)	(22,338)	-	1 Dec 2017
	1 Dec 2015	441,841	0.257	-	-	(441,841)	-	1 Dec 2018
	1 Dec 2016	273,958	0.467	-	-	(273,958)	-	1 Dec 2019
	1 Dec 2017	-	1.130	70,351	-	(70,351)	-	1 Jul 2018
	1 Dec 2017	-	1.112	70,351	-	(70,351)	-	1 Jul 2019
	1 Dec 2017	-	0.616	222,526	-	(222,526)	-	1 Dec 2020
Total		941,211		363,228	(203,074)	(1,101,365)	-	
Total (\$)				294,769	95,668	546,878		

REMUNERATION REPORT (AUDITED)
FOR THE YEAR ENDED 30 JUNE 2018

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

Name	Date of grant	Performance rights on issue at 30 June 2017	Fair Value \$	Granted	Vested	Lapsed	Performance rights on issue at 30 June 2018	Date performance rights vest and become exercisable
R A Rayner	1 Dec 2014	250,436	0.471	-	(225,618)	(24,818)	-	1 Dec 2017
	1 Dec 2015	490,892	0.257	-	-	(490,892)	-	1 Dec 2018
	1 Dec 2016	304,372	0.467	-	-	(304,372)	-	1 Dec 2019
Total		1,045,700		-	(225,618)	(820,082)	-	
Total (\$)				-	106,289	280,098		
M R Squire	1 Dec 2014	205,712	0.471	-	(185,326)	(20,386)	-	1 Dec 2017
	1 Dec 2015	403,226	0.257	-	-	-	403,226	1 Dec 2018
	1 Dec 2016	250,015	0.467	-	-	-	250,015	1 Dec 2019
	1 Dec 2017	-	1.130	64,202	-	-	64,202	1 Jul 2018
	1 Dec 2017	-	1.112	64,203	-	-	64,203	1 Jul 2019
	1 Dec 2017	-	0.616	203,078	-	-	203,078	1 Dec 2020
Total		858,953		331,483	(185,326)	(20,386)	984,724	
Total (\$)				269,007	87,307	9,604		

Looking ahead – Remuneration and related issues for 2019

Human capital management

FY19 will see the continued deployment of the leadership for high performance framework and leadership program. All leaders will be enrolled in and commence program attendance. The program commences with an assessment of the leader's leadership style and the organisational climate they create. It then offers development and concludes with a re-survey of the leadership style and organisational climate.

Review of total fixed remuneration for 2019

The Board approved an increase in the total fixed remuneration of the CEO to \$1,200,000 effective 1 July 2018.

Review of STI structure for senior executives

The Board have made some changes to the FY19 STI measures, including:

- The hurdle measure for return on capital (ROC) will increase from 5% to > or = 7%. Refer to Table 17 below;
- The total weighting of safety and environment measures in FY18 was 15% (10% personal safety and 5% environmental). This total weighting of 15% remains unchanged in FY19, however, an additional safety measure (process safety) has been added for FY19, resulting in changes to the individual weightings of measures. In FY19, personal safety will comprise 5% weighting (down from 10% in FY18), environment will comprise 5% weighting (unchanged from FY18) and process safety will be included as a measure for the first time (and allocated a weighting of 5%).
- The inclusion of a process safety measure is standard in all international oil companies and most Australian based operators and will allow us to compare/benchmark our performance to other operators locally and globally. Process Safety Events are measured by Loss of Primary Containment events – which tend to occur with greater frequency in gas processing facilities. The measure has been included to reflect Beach's changed risk profile as a result of the acquisition of the gas facility, offshore gas wellhead platforms and gas pipelines in the Beach portfolio as a result of the Lattice acquisition.

Table 17: FY19 hurdle measures

Measures	FY19 Hurdle Measure
1 year Relative Total Shareholder Return against ASX 200 Energy Total Return Index (Index Return) at the end of the Performance Period	> or = to Index Return
Return on capital ¹ at the end of the Performance Period	> or = to 7%

1. Return on capital (ROC) is based on statutory NPAT/average total equity (being the average total equity at the beginning and end of the financial year).

Review of non-executive director fees

For FY19 fees payable to the Chair of the Risk and Corporate Governance and Sustainability Committee will increase from \$15,000 to \$25,000. Fees payable to members of that Committee will increase from \$10,000 to \$15,000. The increase will make the fees for each Board Committee the same, reflecting that the time required of the members of each Committee is the same.

There will be no change to Board fees for FY19.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2018

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 45 to 84 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - (b) there are reasonable grounds to believe that Beach will be able to pay its debts as and when they become due and payable.
2. The attached financial statements are in compliance with International Financial Reporting Standards, as noted in the Basis of Preparation which forms part of the financial statements.
3. At the time of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 22 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 22.
4. The directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001* on behalf of the directors.



G S Davis

Chairman

Adelaide

20 August 2018

FULL YEAR FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Consolidated Statement of Financial Position
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows

Notes to the Financial Statements

Basis of preparation

Results for the year

1. Operating segments
2. Revenue and other income
3. Expenses
4. Employee benefits
5. Taxes
6. Earnings per share

Capital employed

7. Inventories
8. Property, plant and equipment
9. Petroleum assets
10. Exploration and evaluation assets
11. Interests in joint operations
12. Carrying value of oil and gas properties
13. Provisions
14. Commitments for expenditure

Financial and risk management

15. Finances and borrowings
16. Cash flow reconciliation
17. Financial risk management

Equity and group structure

18. Contributed equity
19. Reserves
20. Dividends
21. Subsidiaries
22. Deed of cross guarantee
23. Parent entity financial information
24. Related party disclosures
25. Disposal group held for sale
26. Business combination

Other information

27. Contingent liabilities
28. Remuneration of auditors
29. Subsequent events

Signed reports

Independent auditors report

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		CONSOLIDATED	
	Note	2018 \$million	2017 \$million
Sales revenue	2(a)	1,250.8	652.6
Cost of sales	3(a)	(773.8)	(463.4)
Gross profit		477.0	189.2
Other revenue	2(a)	16.6	13.1
Other income	2(b)	24.1	52.6
Other expenses	3(b)	(197.6)	66.8
Operating profit before financing costs		320.1	321.7
Interest income	15	7.0	6.9
Finance expenses	15	(43.6)	(20.9)
Profit before income tax expense		283.5	307.7
Income tax (expense)/benefit	5	(84.7)	79.8
Net profit after tax		198.8	387.5
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Net change in fair value of available-for-sale financial assets		(17.2)	13.8
Net change in hedging reserve		(14.4)	-
Net gain/(loss) on translation of foreign operations		1.6	(0.3)
Tax effect relating to components of other comprehensive income	5	6.6	(2.3)
Other comprehensive (loss)/income, net of tax		(23.4)	11.2
Total comprehensive income after tax		175.4	398.7
Basic earnings per share (cents per share)	6	9.16¢	20.38¢
Diluted earnings per share (cents per share)	6	9.14¢	20.35¢

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		CONSOLIDATED	
	Note	2018 \$million	2017 \$million
Current assets			
Cash and cash equivalents	16	311.2	348.0
Receivables	17	273.5	116.0
Inventories	7	94.4	50.1
Derivative financial instruments	17	19.0	0.6
Other		4.9	5.5
Assets held for sale	25	21.2	1.7
Total current assets		724.2	521.9
Non-current assets			
Available-for-sale financial assets	17	-	44.4
Property, plant and equipment	8	5.5	26.4
Petroleum assets	9	2,710.2	959.8
Exploration and evaluation assets	10	478.9	255.2
Goodwill	26	83.9	-
Deferred tax assets	5	68.8	79.3
Derivative financial instruments	17	-	0.2
Other financial assets		5.3	5.9
Total non-current assets		3,352.6	1,371.2
Total assets		4,076.8	1,893.1
Current liabilities			
Payables	17	293.3	66.5
Provisions	13	39.6	48.6
Current tax liabilities		100.2	10.1
Derivative financial instruments	17	47.0	0.6
Liabilities associated with assets held for sale	25	2.6	0.4
Total current liabilities		482.7	126.2
Non-current liabilities			
Payables	17	17.8	-
Provisions	13	766.8	216.4
Interest bearing liabilities	15	925.7	148.0
Derivative financial instruments	17	-	0.5
Deferred tax liabilities	5	45.8	-
Total non-current liabilities		1,756.1	364.9
Total liabilities		2,238.8	491.1
Net assets		1,838.0	1,402.0
Equity			
Contributed equity	18	1,859.1	1,558.5
Reserves	19	210.3	232.2
Retained earnings/(accumulated losses)		(231.4)	(388.7)
Total equity		1,838.0	1,402.0

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Contributed equity \$million	Retained earnings / (accumulated losses) \$million	Share based reserve payment \$million	Available for sale reserve \$million	Foreign currency translation \$million	Profit distribution reserve \$million	Hedging reserve \$million	Total \$million
Balance as at 30 June 2016		1,548.7	(757.5)	28.4	3.4	69.8	181.7	-	1,074.5
Profit for the year		-	387.5	-	-	-	-	-	387.5
Other comprehensive income		-	-	-	11.5	(0.3)	-	-	11.2
Total comprehensive income/(loss) for the year		-	387.5	-	11.5	(0.3)	-	-	398.7
Transactions with owners in their capacity as owners:									
Shares issued during the year	18	9.8	-	-	-	-	-	-	9.8
Interim dividend paid	20	-	(18.7)	-	-	-	-	-	(18.7)
Final dividend paid from profit distribution reserve	20	-	-	-	-	-	(9.3)	-	(9.3)
Disposal of foreign operations		-	-	-	-	(53.7)	-	-	(53.7)
Increase in share based payments reserve		-	-	0.7	-	-	-	-	0.7
Transactions with owners		9.8	(18.7)	0.7	-	(53.7)	(9.3)	-	(71.2)
Balance as at 30 June 2017		1,558.5	(388.7)	29.1	14.9	15.8	172.4	-	1,402.0
Profit for the year		-	198.8	-	-	-	-	-	198.8
Other comprehensive income		-	-	-	(14.9)	1.6	-	(10.1)	(23.4)
Total comprehensive income/(loss) for the year		-	198.8	-	(14.9)	1.6	-	(10.1)	175.4
Transactions with owners in their capacity as owners:									
Equity raising during the year	18	301.1	-	-	-	-	-	-	301.1
Equity raising costs (net of tax)	18	(3.8)	-	-	-	-	-	-	(3.8)
Shares issued during the year	18	3.3	-	-	-	-	-	-	3.3
Final dividend paid	20	-	(18.7)	-	-	-	-	-	(18.7)
Interim dividend paid	20	-	(22.8)	-	-	-	-	-	(22.8)
Increase in share based payments reserve		-	-	1.5	-	-	-	-	1.5
Transactions with owners		300.6	(41.5)	1.5	-	-	-	-	260.6
Balance as at 30 June 2018		1,859.1	(231.4)	30.6	-	17.4	172.4	(10.1)	1,838.0

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		CONSOLIDATED	
	Note	2018 \$million	2017 \$million
Cash flows from operating activities			
Receipts from customers and other		1,350.6	691.0
Payments to suppliers and employees		(633.1)	(378.0)
Payments for restoration		(25.1)	(2.2)
Interest received		8.4	5.5
Financing costs		(15.9)	(8.2)
Derivative (payments)/receipts		(7.9)	3.3
Income tax (paid)/refund		(14.1)	7.6
Net cash provided by operating activities	16	662.9	319.0
Cash flows from investing activities			
Payments for property, plant and equipment		(46.6)	(32.0)
Payments for subsurface assets		(183.4)	(78.4)
Payments for exploration		(90.1)	(49.7)
Proceeds from government grants		6.6	-
Sale of joint operations interests		1.3	1.3
Payments for acquisition of subsidiaries and joint operations, net of cash acquired	26	(1,453.0)	-
Sale of subsidiary, net of cash disposed	25	-	22.9
Proceeds from sale of non-current assets		2.0	1.4
Proceeds from sale of equity investments		32.5	-
Purchase of equity investments		-	(17.5)
Net cash used in investing activities		(1,730.7)	(152.0)
Cash flows from financing activities			
Proceeds from issue of shares		301.1	-
Costs associated with issue of shares		(5.0)	-
Proceeds from borrowings		950.0	-
Debt facility establishment costs		(27.7)	-
Repayment of borrowings		(150.0)	-
Proceeds from employee incentive loans		3.3	1.7
Dividends paid		(41.5)	(20.0)
Net cash used in financing activities		1,030.2	(18.3)
Net (decrease)/increase in cash held		(37.6)	148.7
Cash at beginning of financial year		348.0	199.1
Effects of exchange rate changes on the balances of cash held in foreign currencies		0.8	0.2
Cash at end of financial year		311.2	348.0

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

BASIS OF PREPARATION

This section sets out the basis upon which the Group's (comprising Beach and its subsidiaries) financial statements are prepared as a whole. Significant accounting policies and key judgements and estimates of the Group that summarise the measurement basis used and assist in understanding the financial statements are described in the relevant note to the financial statements or are otherwise provided in this section.

Beach Energy Limited (Beach) is a for profit company limited by shares, incorporated in Australia and whose shares are publicly listed on the Australian Securities Exchange (ASX). The nature of the Group's operations are described in the segment note. The consolidated general purpose financial report of the Group for the financial year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 20 August 2018.

This general purpose financial report:

- Has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.
- Has been prepared on an accruals basis and is based on the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss or other comprehensive income.
- Is presented in Australian dollars with all amounts rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investment Commission.
- Has been prepared by consistently applying all accounting policies to all the financial years presented, unless otherwise stated.
- The consolidated financial statements provide comparative information in respect of the previous period. Where there has been a change in the classification of items in the financial statements for the current period, the comparative for the previous period has been reclassified to be consistent with the classification of that item in the current period.

Notes to the financial statements

The notes include information which is required to understand the financial statements that is material and relevant to the operations, financial position or performance of the Group. Information is considered material and relevant where the amount is significant in size or nature, it is important in understanding changes to the operations or results of the Group or it may significantly impact on future performance.

Key judgements and estimates

In the process of applying the Group's accounting policies, management has had to make judgements, estimates and assumptions about future events that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates and the reasonableness of these estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are found in the following notes:

Note 5 – Taxes

Note 8 – Property, plant and equipment

Note 9 – Petroleum assets

Note 10 – Exploration and evaluation assets

Note 11 – Interests in joint operations

Note 12 – Carrying value of oil and gas properties

Note 13 – Provisions

Basis of consolidation

The consolidated financial statements are those of Beach and its subsidiaries (detailed in Note 21). Subsidiaries are those entities that Beach controls as it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In preparing the consolidated financial statements, all transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Foreign currency

Both the functional and presentation currency of Beach is Australian dollars. Some subsidiaries have different functional currencies which are translated to the presentation currency. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the profit or loss. Nonmonetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Nonmonetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences that arise on the translation of monetary items that form part of the net investment in a foreign operation are recognised in equity in the consolidated financial statements. Revenues, expenses and equity items of foreign operations are translated to Australian dollars using the exchange rate at the date of transaction while assets and liabilities are translated using the rate at balance date with differences recognised directly in the Foreign Currency Translation Reserve.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the financial year.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group:

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Year ended 30 June 2019:

AASB 15: Revenue from Contracts with Customers

AASB 15 provides a new basis for recognising revenue earned from a contract with a customer and supersedes all current revenue recognition requirements under Australian Accounting Standards. The standard becomes mandatory for the Group for the 30 June 2019 financial year and the Group plans to adopt the new standard on the required effective date using the full retrospective method.

During the year the Group has undertaken a detailed review of all its material revenue contracts against the requirements of AASB 15. From this assessment the Group identified a number of judgements that required consideration, including the identification of goods and services provided under a contract that could be considered as separate performance obligations (the existence of which could impact the manner in which revenue is measured and recorded), determining when the customer obtains control of the delivered goods and the influence of any customer acceptance clauses and assessing the effect of variable and estimated revenue pricing.

Based on the procedures performed to date the Group does not expect there to be any material timing changes to net assets upon adoption. The key change currently expected by the Group is the reclassification from Revenue to Other Income on settlement differences between actual receipts from customers and provisionally priced sales. These differences are currently recorded as Revenue.

AASB 9: Financial Instruments

AASB 9, approved in December 2015, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

From the assessment performed to date, it is known that:

- Items previously classified as trade and other receivables will be classified as financial assets at amortised cost or financial assets at fair value;
- Based on historical and expected losses of trade and other receivables, the expected loss model required by AASB 9 will not have a material impact on the Group as at 1 July 2018; and
- All derivatives that currently qualify for hedge accounting will also represent an effective hedge under the new AASB 9.

Year ended 30 June 2020: AASB 16: Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group is currently undertaking a detailed review of all its current contracts against the requirements of AASB 16 and considering relevant industry guidance and is yet to complete its assessment of which contracts may contain a lease and what adjustments, if any, are necessary on adoption of AASB 16. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

RESULTS FOR THE YEAR

This section explains the results and performance of the Group including additional information about those individual line items in the financial statements most relevant in the context of the operations of the Group, including accounting policies that are relevant for understanding the items recognised in the financial statements and an analysis of the Group's result for the year by reference to key areas, including operating segments, revenue, expenses, employee costs, taxation and earnings per share.

1. Operating segments

The Group has identified its operating segments to be its South Australian and Western Australian (SAWA), Victorian and New Zealand 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 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 and New Zealand energy retailers and industrial users with liquid hydrocarbon product 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 financial years ended 30 June 2018 and 30 June 2017 are set out as follows:

	SAWA		VICTORIA		NEW ZEALAND		TOTAL	
	2018 \$million	2017 \$million	2018 \$million	2017 \$million	2018 \$million	2017 \$million	2018 \$million	2017 \$million
Segment revenue								
Sales revenue	955.5	652.6	208.2	-	87.1	-	1,250.8	652.6
<i>During the year revenue from two customers amounted to \$591.6 million (2017: \$382.3 million from two customers) arising from sales from SAWA and Victoria segment.</i>								
Segment results								
Gross segment result before depreciation, amortisation and impairment	576.7	359.3	156.0	(0.9)	56.8	-	789.5	358.4
Depreciation and amortisation	(207.2)	(169.2)	(91.0)	-	(14.3)	-	(312.5)	(169.2)
Reversal of impairment	-	150.0	-	-	-	-	-	150.0
Impairment expense	(60.5)	(2.8)	-	-	-	-	(60.5)	(2.8)
	309.0	337.3	65.0	(0.9)	42.5	-	416.5	336.4
Other revenue							16.6	13.1
Other income							24.1	52.6
Net financing costs							(36.6)	(14.0)
Other expenses							(137.1)	(80.4)
Profit before tax							283.5	307.7
Income tax benefit							(84.7)	79.8
Net profit after tax							198.8	387.5
Segment assets	2,124.6	1,317.3	1,073.4	-	276.1	-	3,474.1	1,317.3
Total corporate and unallocated assets							602.7	575.8
Total consolidated assets							4,076.8	1,893.1
Segment liabilities	459.0	267.9	330.0	-	76.7	-	865.7	267.9
Total corporate and unallocated liabilities							1,373.1	223.2
Total consolidated liabilities							2,238.8	491.1
Additions and acquisitions of non current assets								
Exploration and evaluation assets	112.0	46.2	419.3	8.3	0.1	-	531.4	54.5
Petroleum assets	862.5	70.8	690.9	-	277.4	-	1,830.8	70.8
	974.5	117.0	1,110.2	8.3	277.5	-	2,362.2	125.3
Total corporate and unallocated assets							14.5	3.4
Total additions and acquisitions of non current assets							2,376.7	128.7

1. Operating segments continued

	AUSTRALIA		NEW ZEALAND		TOTAL	
	2018 \$million	2017 \$million	2018 \$million	2017 \$million	2018 \$million	2017 \$million
Non-current assets*	3,005.6	1,231.4	272.9	10.0	3,278.5	1,241.4

* excluding financial assets and deferred taxes

2. Revenue and other income

The Group's revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

Revenue from take or pay contracts is recognised in earnings when the product has been drawn by the customer and recorded as unearned revenue when not drawn by the customer.

Other operating revenue is recognised at the fair value of the consideration received or receivable, when significant risks and rewards have been transferred to the buyer or when the service has been performed.

	CONSOLIDATED	
	2018 \$million	2017 \$million
(a) Revenue		
Crude oil ¹	595.0	414.7
Gas and gas liquids		
- sales gas and ethane	416.8	170.8
- liquified petroleum gas	97.5	27.4
- condensate	141.5	39.7
Sales revenue	1,250.8	652.6
Other operating revenue	16.6	13.1
Total revenue	1,267.4	665.7
(b) Other income		
Gain on sale of subsidiary (Note 25)	-	46.9
Gain on sale of joint operations interests	-	3.7
Gain on settlement of restoration obligation	15.0	-
Gain on sale of investments	5.3	-
Gain on sale of non-current assets	1.0	0.6
Gain on adjustments to fair values on acquisition of subsidiary	-	1.4
Government grants received	1.2	-
Foreign exchange gains	1.6	-
Total other income	24.1	52.6

1. Inclusive of realised hedge settlements and premiums paid of \$10.2 million (2017: \$3.3 million in receipts).

3. Expenses

The Group's significant expenses in operating the business are described below split between cost of sales and other expenses including impairment, employee benefit expense and corporate and other costs.

	CONSOLIDATED	
	2018 \$million	2017 \$million
(a) Cost of sales		
Operating costs	273.1	179.7
Royalties	99.5	54.0
Total operating costs	372.6	233.7
Depreciation of property, plant and equipment	81.7	55.5
Amortisation of petroleum assets	230.8	113.7
Total amortisation and depreciation for operations	312.5	169.2
Third party oil and gas purchases	75.8	36.4
Change in inventory	12.9	24.1
Total cost of sales	773.8	463.4
(b) Other expenses		
Impairment		
Impairment expense/(reversal) on other property, plant & equipment (Note 8)	1.2	3.1
Impairment expense/(reversal) on petroleum assets (Note 9)	-	(150.0)
Impairment of exploration and evaluation assets (Note 10)	87.1	38.3
Total impairment expense/(reversal)	88.3	(108.6)
Other		
Employee benefits expense (Note 4)	31.1	20.5
Loss on derivative financial instruments	13.2	3.7
Foreign exchange losses	-	1.7
Depreciation of property, plant and equipment	2.0	2.3
Corporate development costs	4.0	6.1
Acquisition and integration costs (Note 26)	50.1	-
Corporate expenses	8.9	7.5
Other expenses	109.3	41.8
Total other expenses	197.6	(66.8)

4. Employee benefits

Provision is made for the Group's employee benefits liability arising from services rendered by employees to the end of the reporting period. These benefits include wages, salaries, annual leave and long service leave. Where these benefits are expected to be settled within 12 months of the reporting date, they are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-vesting personal leave are recognised when the leave is taken and are measured at the rates paid or payable. Liabilities for long service leave and annual leave that is not expected to be taken wholly before 12 months after the end of the reporting period in which the employee rendered the related service, are recognised and measured as the present value of the estimated future cash outflows to be made in respect of employees' services up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates, experience of employee departures and periods of service. The estimated future payments have been discounted using Australian corporate bond rates. The obligations are presented as current liabilities in the statement of financial position if the Group does not have the unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Superannuation commitments: Each employee nominates their own superannuation fund into which Beach contributes compulsory superannuation amounts based on a percentage of their salary.

Termination benefits: Termination benefits may be payable when employment is terminated before the normal retirement date, without cause, or when an employee accepts voluntary redundancy in exchange for these benefits. Beach recognises termination benefits when it is demonstrably committed to making these payments.

4. Employee benefits continued

Equity settled compensation:

Employee Incentive Plan – The Group operates an Employee Incentive Plan, approved by shareholders. Shares are allotted to employees under this plan at the Board's discretion. Shares acquired by employees are funded by interest free non-recourse loans for a term of 10 years which are repayable on cessation of employment with the consolidated entity or expiry of the loan term. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period with a corresponding increase in equity. The fair value of shares issued is determined with reference to the latest ASX share price. Rights are valued using an appropriate valuation technique such as the Binomial or Black-Scholes Option Pricing Models which takes into account the vesting conditions.

The following employee shares are currently on issue	Number
Balance as at 30 June 2016	9,319,956
Loans repaid during the financial year	(2,616,315)
Balance as at 30 June 2017	6,703,641
Loans repaid during the financial year	(3,021,983)
Balance as at 30 June 2018	3,681,658

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

The closing ASX share price of Beach fully paid ordinary shares at 29 June 2018 was \$1.755 as compared to \$0.575 as at 30 June 2017.

Incentive Rights – The Group operates an Executive Incentive Plan (EIP) for KMP providing both Short Term Incentives (STIs) and Long Term Incentives (LTIs). The STI is part of 'at risk' remuneration offered to senior executives. It measures individual and Company performance over a 12 month period coinciding with Beach's financial year. It is provided in equal parts of cash and equity that may or may not vest subject to additional retention conditions. It is offered annually to senior executives at the discretion of the Board. The LTI is an equity based 'at risk' incentive plan. The LTI is intended to reward efforts and results that promote long term growth in shareholder value or total shareholder return (TSR). LTIs are offered to senior executives at the discretion of the Board. The fair value of performance rights issued are recognised as an employee benefits expense with a corresponding increase in equity. The fair value of the performance rights are measured at grant date and recognised over the vesting period during which the KMP become entitled to the performance rights. The fair value of the STIs is measured using the Black-Scholes Option Pricing Model and the fair value of the LTIs is measured using Monte Carlo simulation, taking into account the terms and conditions upon which these rights were issued. Details of the key assumptions used in determining the valuation of both STI's and LTI's issued during the year are included in the remuneration report.

Movements in unlisted performance rights are set out below:

	CONSOLIDATED	
	2018 number	2017 number
Balance at beginning of period	6,820,796	6,814,929
Issued during the period	4,114,642	2,964,391
Cancelled during the period	(3,097,646)	(2,314,988)
Vested during the period	(1,213,891)	(643,536)
Balance at end of period	6,623,901	6,820,796

On 5 December 2017, Beach issued 1,122,117 STI unlisted performance rights and 2,029,050 LTI unlisted performance rights under the EIP. 561,057 of the STI performance rights vested on 1 July 2018, and the remaining 561,060 STI rights vest on 1 July 2019, subject to the holder of the rights remaining employed with Beach on the vesting dates. The LTI performance rights, which expire on 30 November 2022, are exercisable for nil consideration and are not exercisable before 1 December 2020. A further 963,475 LTI unlisted performance rights were issued on 9 April 2018 under the EIP, which expire on 30 November 2022, are exercisable for nil consideration and are not exercisable before 1 December 2020.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Employee benefits expense		
Short term benefits	25.5	16.7
Post employment benefits	4.1	3.1
Share based payments	1.5	0.7
Total	31.1	20.5

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

5. Taxes

Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. The income tax expense or benefit for the period is the tax payable on the current period's taxable income, which is based on the notional income tax rates, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. These temporary differences are recognised at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

	CONSOLIDATED	
	2018	2017
	\$million	\$million
Recognised in the statement of profit or loss		
Current tax expense		
Current financial year tax expense	101.0	6.0
Under/(Over) provision in the prior year	3.3	(4.3)
Other	-	0.1
Total current tax expense	104.3	1.8
Deferred tax expense		
Origination and reversal of temporary differences	(17.8)	-
Under provision in the prior year	(0.1)	-
Recognition of capital losses	(1.7)	(2.3)
Recognition of deferred taxes	-	(79.3)
Total deferred tax benefit	(19.6)	(81.6)
Total income tax expense/(benefit)	84.7	(79.8)
Numerical reconciliation between tax expense and prima facie tax expense		
Reconciliation of the prima facie income tax expense calculated on profit before income tax expense included in the statement of profit or loss		
Profit before income tax expense	283.5	307.7
Prima facie income tax expense/(benefit) using an income tax rate at 30% (2017: 30%)	85.0	92.3
Adjustment to income tax expense due to:		
Recognition of deferred taxes future periods	-	(79.3)
Recognition of deferred tax asset current period	-	(73.2)
Tax impact on disposal of overseas assets	-	(14.2)
Non-deductible expenses	5.2	0.4
Losses of controlled foreign entities not recognised	0.2	0.8
Sale of investments	(1.6)	-
Difference in tax rate	(0.6)	-
Recognition of capital losses	(1.7)	(2.3)
Non assessable income	(5.0)	-
Under/(Over) provision in the prior year	3.2	(4.3)
Income tax expense/(benefit) on pre-tax profit	84.7	(79.8)

5. Taxes continued

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

Group	2018			2017		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax benefit	Net of tax amount
Available-for-sale financial assets	(17.2)	2.3	(14.9)	13.8	(2.3)	11.5
Hedging reserve	(14.4)	4.3	(10.1)	-	-	-
Exchange difference on translating foreign controlled entities	1.6	-	1.6	(0.3)	-	(0.3)

Beach and its wholly owned Australian subsidiaries are consolidated for Australian income tax purposes with Beach responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. Beach has entered into tax sharing agreements with its wholly owned subsidiaries whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. Accordingly, as head entity, Beach is responsible for recognising current tax liabilities, current tax assets and deferred tax assets from unused tax losses and credits of members of the tax consolidated group. Deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are allocated amongst the members of the tax consolidated group using the "Separate Taxpayer within Group" approach in accordance with Interpretation 1052, *Tax Consolidation Accounting*.

Movement in Group deferred tax balances (\$million)

Current financial year	Balance 1 July 2017	Recognised in income	Acquired	Recognised in OCI/ Equity	Balance 30 June 2018	Deferred Tax Asset	Deferred Tax Liability
Oil & Gas Assets	9.5	14.1	(240.7)	-	(217.1)	55.1	(272.2)
Investments	-	(2.3)	-	2.3	-	-	-
Assets and Liabilities Held For Sale	(0.5)	1.0	-	-	0.5	0.5	-
Provisions	81.4	3.0	148.0	-	232.4	232.4	-
Employee benefits	2.0	(0.7)	3.9	-	5.2	5.2	-
Other Items	(12.6)	4.5	5.0	5.5	2.4	20.4	(18.0)
Inventories	(0.5)	0.1	-	-	(0.4)	-	(0.4)
Tax assets/(liabilities) before set-off	79.3	19.7	(83.8)	7.8	23.0	313.6	(290.6)
Set-off of deferred tax assets in Australia	-	-	-	-	-	(244.8)	244.8
Net deferred tax asset/(liabilities)	-	-	-	-	-	68.8	(45.8)

Previous financial year	Balance 1 July 2016	Recognised in income	Recognised in OCI	Balance 30 June 2017	Deferred Tax Asset	Deferred Tax Liability
Oil & Gas Assets	69.0	(59.5)	-	9.5	61.5	(52.0)
Investments	-	2.3	(2.3)	-	-	-
Assets and Liabilities Held For Sale	4.2	(4.7)	-	(0.5)	-	(0.5)
Provisions	77.6	3.8	-	81.4	81.4	-
Employee benefits	2.3	(0.3)	-	2.0	2.0	-
Other Items	4.0	(16.6)	-	(12.6)	4.8	(17.4)
Inventories	2.0	(2.5)	-	(0.5)	-	(0.5)
Tax assets/(liabilities) before set-off	159.1	(77.5)	(2.3)	79.3	149.7	(70.4)
Set-off of deferred tax assets in Australia	-	-	-	-	(70.4)	70.4
Recognise net deferred tax assets balance	(159.1)	159.1	-	-	-	-
Net deferred tax assets/(liabilities)	-	81.6	(2.3)	79.3	79.3	-

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

5. Taxes continued

Petroleum Resource Rent Tax (PRRT): PRRT is recognised as an income tax under *AASB 112 - Income Taxes*. From 1 July 2012, the PRRT regime was extended to all Australian onshore oil and gas projects. Accounting for PRRT involves judging the impact of the combination of production licences into PRRT projects, the taxing point of projects, the measurement of the starting base of projects, the impact of farm-ins, the deductibility of expenditure and the impact of legislative amendments. A deferred tax asset is recognised in relation to the carry forward deductible PRRT expenditure of projects only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The group has determined the carry forward deductible PRRT expenditure of projects including augmentation on expenditure categories in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements. Deferred tax assets in respect of PRRT are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Beach has previously applied for and was granted a PRRT combination certificate by the Minister for Industry in respect of its Cooper Basin projects, and has inherited other combined projects through the acquisition of the Lattice group. The government has also enacted legislation which will enable contract liabilities with third parties to be apportioned based on the extent that the expenditure relates to the petroleum project. Due to the substantial value of carry forward deductible PRRT expenditure at 30 June 2018, the Group does not expect to pay PRRT in the short to medium term on all of its projects that are subject to the PRRT regime.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses (capital)	18.7	20.4
Foreign tax losses (revenue)	12.5	15.6
PRRT (net of income tax)	4,277.3	1,132.1
Total	4,308.5	1,168.1

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST). The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

6. Earnings per share (EPS)

The Group presents basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the dilutive effect, if any, of outstanding share rights which have been issued to employees.

Earnings after tax used in the calculation of EPS is as follows:

	2018 \$million	2017 \$million
Basic EPS and Diluted EPS	198.8	387.5

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

	2018 Number	2017 ¹ Number
Basic EPS	2,170,981,952	1,901,467,353
Share rights	5,136,462	2,969,133
Diluted EPS	2,176,118,414	1,904,436,486

1. Restated to included an additional 35,586,753 shares for the bonus element impact of arising from the rights issue to existing shareholders in the current period.

Calculation of EPS is as follows:

Basic earnings per share (cents per share)	9.16¢	20.38¢
Diluted earnings per share (cents per share)	9.14¢	20.35¢

Potential ordinary shares relating to performance rights that were not considered dilutive during the period as vesting would not have occurred based on the status of the required vesting conditions at the end of the relevant reporting period were nil (2017: 3,851,663). Accordingly, these have been excluded from the calculation of diluted EPS.

A further 460,259 shares were issued on 2 July 2018 upon vesting of unlisted performance rights previously issued pursuant to the Beach Energy Ltd Executive Incentive Plan for the 2016 Short Term Incentive Offer following satisfaction of the retention condition.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

CAPITAL EMPLOYED

This section details the investments made by the Group in exploring for and developing its petroleum business including inventories, property plant and equipment, petroleum assets, joint operations and any related restoration provisions as well as an assessment of asset impairment and details of future commitments.

7. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

- (i) Drilling and maintenance stocks, which include plant spares, consumables, maintenance and drilling tools used for ongoing operations, are valued at weighted average cost; and
- (ii) Petroleum products, which comprise extracted crude oil, liquefied petroleum gas, condensate and naphtha stored in tanks and pipeline systems and process sales gas and ethane stored in sub-surface reservoirs, are valued using the absorption cost method in a manner which approximates specific identification.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Petroleum products	70.5	40.0
Drilling and maintenance stocks	38.0	24.2
Less provision for obsolescence	(14.1)	(14.1)
Total current inventories at lower of cost and net realisable value	94.4	50.1
Petroleum products included above which are stated at net realisable value	0.9	1.3

8. Property, plant and equipment (PPE)

PPE is measured at cost less depreciation and impairment losses. The carrying amount of PPE is reviewed bi-annually for impairment (refer Note 12). The cost of PPE constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the profit or loss.

The depreciable amount of all PPE excluding freehold land is depreciated using a straight line basis over their useful lives commencing from the time the asset is held ready for use. The depreciation rates used in the current and previous period for each class of depreciable asset are:

- 2% for the corporate head office building;
- 4-33% for other equipment;

8. Property, plant and equipment (PPE) continued

	CONSOLIDATED	
	2018 \$million	2017 \$million
Land and buildings		
Land and buildings at cost	-	24.3
Less accumulated depreciation	-	(1.7)
Total land and buildings	-	22.6
Reconciliation of movement in land and buildings:		
Balance at beginning of financial year	22.6	26.2
Impairment of land and buildings (Note 12)	(1.2)	(3.1)
Reclassification to assets held for sale ¹ (Note 25)	(21.0)	-
Depreciation expense	(0.4)	(0.5)
Total land and buildings	-	22.6
Plant and equipment		
Plant and equipment	13.1	14.4
Plant and equipment under construction	2.7	0.3
Less accumulated depreciation	(10.3)	(10.9)
Total plant and equipment	5.5	3.8
Reconciliation of movement in other plant and equipment:		
Balance at beginning of financial year	3.8	4.6
Additions	3.4	1.0
Reclassification to assets held for sale ¹ (Note 25)	(0.2)	-
Depreciation expense	(1.5)	(1.8)
Total plant and equipment	5.5	3.8
Total property, plant and equipment	5.5	26.4

1. Head office building classified as held for sale comprises land (\$8.5 million), buildings (\$12.5 million) and other equipment (\$0.2 million) forming part of the sale.

9. Petroleum assets

Petroleum assets are stated at cost less accumulated depreciation and impairment charges. They include initial cost, with an appropriate proportion of fixed and variable overheads, to acquire, construct, install or complete production and infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation assets and development wells. Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The depreciable amount of all onshore production facilities, field and other equipment excluding freehold land is depreciated using a straight line basis over the lesser of their useful lives and the life of proved and probable reserves commencing from the time the asset is held ready for use. Offshore production facilities and field equipment are depreciated based on a units of production method using proved and probable reserves. The depreciation rates used in the current and previous period for each class of depreciable asset are 4-50% for onshore production facilities, field and other equipment.

Subsurface assets are amortised using the units of production method over the life of the area according to the rate of depletion of the proved and probable reserves. Retention of petroleum assets is subject to meeting certain work obligations/commitments as detailed in Note 14. The carrying amount of Petroleum assets is reviewed bi-annually for impairment as detailed in Note 12. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the profit or loss.

9. Petroleum assets continued

Estimates of reserve quantities

The estimated quantities of proved and probable hydrocarbon reserves reported by the Group are integral to the calculation of amortisation (depletion), depreciation expense and to assessments of possible impairment or impairment reversal. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves. Beach prepares its petroleum reserves estimates in accordance with the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers. All estimates of petroleum reserves reported by Beach are prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator. To ensure the integrity and reliability of data used in the reserves estimation process, the raw data is reviewed and quality controlled by senior professional production, reservoir, petrophysical and geological staff at Beach. During each petroleum reserves review, this data is updated, analysed and checked against the previous year's data. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. Reserves at 30 June 2018 have been independently audited by RISC advisory. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Estimates are reviewed at least annually or when there are significant changes in the circumstances impacting specific assets or asset groups. These changes may impact depreciation, asset carrying values, restoration provisions and deferred tax balances. If proved and probable reserves estimates are revised downwards, earnings could be affected by higher depreciation expense or an immediate write-down of the asset's carrying value.

	CONSOLIDATED	
	2018	2017
	\$million	\$million
Field land and buildings		
Land and buildings at cost	87.9	41.9
Less accumulated depreciation	(27.3)	(19.6)
Total land and buildings	60.6	22.3
Reconciliation of movement in field land and buildings:		
Balance at beginning of financial year	22.3	18.7
Additions	32.8	5.7
Acquisition of subsidiaries and joint operation interests	10.1	-
Transfer from production facilities and field equipment	1.0	-
Transfer from subsurface assets	4.1	-
Depreciation expense	(9.7)	(2.1)
Total field land and buildings	60.6	22.3

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

9. Petroleum assets continued

	CONSOLIDATED	
	2018 \$million	2017 \$million
Production facilities and field equipment		
Production facilities and field equipment	1,851.5	859.6
Production facilities and field equipment under construction	5.2	40.5
Less accumulated depreciation	(595.2)	(521.4)
Total production facilities and field equipment	1,261.5	378.7
Reconciliation of movement in production facilities, field and other equipment:		
Balance at beginning of financial year	378.7	381.4
Additions	6.1	22.4
Acquisition of subsidiaries and joint operation interests	949.8	-
Impairment reversal on production facilities and field equipment (Note 12)	-	27.8
Reclassification from assets held for sale (Note 25)	-	0.7
Transfer to field land and buildings	(1.0)	-
Depreciation expense	(72.1)	(53.4)
Disposals	-	(0.2)
Total production facilities and field equipment	1,261.5	378.7
Subsurface assets		
Subsurface assets at cost	2,617.7	1,569.0
Subsurface assets under construction	118.1	106.7
Less accumulated amortisation	(1,347.7)	(1,116.9)
Total subsurface assets	1,388.1	558.8
Reconciliation of movement in subsurface assets		
Balance at beginning of financial year	558.8	418.9
Additions	169.0	75.5
Acquisition of subsidiaries and joint operation interests	634.6	-
Increase/(decrease) in restoration	28.0	(32.5)
Transfer from exploration and evaluation assets	232.1	68.1
Transfer to field land and buildings	(4.1)	-
Reclassification from assets held for sale (Note 25)	-	20.3
Impairment reversal on petroleum assets (Note 12)	-	122.2
Foreign exchange movement	0.5	-
Amortisation expense	(230.8)	(113.7)
Total subsurface assets	1,388.1	558.8
Total petroleum assets	2,710.2	959.8

10. Exploration and evaluation assets

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Areas of interest are based on a geological area. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of proved and probable hydrocarbon reserves. The costs of acquiring interests in new exploration and evaluation licences are capitalised. The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons and the recognition of an area of interest. Subsequent to the recognition of an area of interest, all further evaluation costs relating to that area of interest are capitalised.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to petroleum assets.

Area of interest

An area of interest (AOI) has previously been defined by the Group as an individual geographical basin whereby the presence of hydrocarbons is considered favourable or proved to exist. In the current financial year, this definition has been further redefined to more accurately reflect the exploration activities and the correlation of the costs to the resulting reserves that are being evaluated as being an area defined by major geological structural elements that has a discrete exploration strategy and has largely independent costs for exploration and evaluation from other geological areas.

This change in definition has resulted in a number of new discrete areas of interest being established within existing basins. This represents a change in accounting estimate and has resulted in an impairment charge of \$87.1 million in the current financial year on AOI's where there is now either no tenure and/or ongoing exploration program.

For the financial year ended 30 June 2017, the carrying value of exploration and evaluation assets was formally assessed, resulting in the recognition of an impairment loss of \$38.3 million.

Impairment of exploration and evaluation assets

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective AOI. Each potential or recognised AOI is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. Where a potential impairment is indicated, assessment is performed using a fair value less costs to dispose method to determine the recoverable amount for each AOI to which the exploration and evaluation expenditure is attributed.

This assessment requires management to make certain estimates and apply judgement in determining assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of profit or loss. Retention of exploration assets is subject to meeting certain work obligations/exploration commitments as detailed in Note 14.

Government grants received in relation to the drilling of exploration wells are recognised as a reduction in the carrying value of the exploration permit as expenditure is incurred.

	CONSOLIDATED	
	2018	2017
	\$million	\$million
Exploration and evaluation assets at beginning of financial year	255.2	319.6
Additions	77.2	51.5
Increase in restoration	29.4	5.1
Acquisition of subsidiaries and joint operation interests (Note 26)	436.3	-
Transfer to petroleum assets	(232.1)	(68.1)
Reclassification from/(to) assets held for sale (Note 25)	-	(1.6)
Impairment of exploration and evaluation assets (Note 10)	(87.1)	(38.3)
Disposal of joint operation interests	-	(13.0)
Foreign exchange movement	-	-
Total exploration and evaluation assets	478.9	255.2

11. Interests in joint operations

Exploration and production activities are conducted through joint arrangements governed by joint operating agreements, production sharing contracts or similar contractual relationships. A joint operation involves the joint control, and often the joint ownership, of one or more assets contributed to, or acquired for the purpose of the joint operation and dedicated to the purposes of the joint operation. The assets are used to obtain benefits for the parties to the joint operation. Each party may take a share of the output from the assets and each bears an agreed share of expenses incurred. Each party has control over its share of future economic benefits through its share of the joint operation. The interests of the Group in joint operations are brought to account by recognising in the financial statements the Group's share of jointly controlled assets, share of expenses and liabilities incurred, and the income from the sale or use of its share of the production of the joint operation in accordance with the Group's revenue policy.

Accounting for interests in other entities

Judgement is required in assessing the level of control obtained in a transaction to acquire an interest in another entity; depending upon the facts and circumstances in each case, Beach may obtain control, joint control or significant influence over the entity or arrangement. Judgement is applied when determining the relevant activities of a project and if joint control is held over them. Relevant activities include, but are not limited to, work program and budget approval, investment decision approval, voting rights in joint operating committees, amendments to permits and changes to joint arrangement participant holdings. Transactions which give Beach control of a business are business combinations.

If Beach obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If Beach has neither control nor joint control, it may be in a position to exercise significant influence over the entity, which is then accounted for as an associate.

The Group has a direct interest in a number of unincorporated joint operations with those significant joint operation interests shown below.

Joint Operation	Principal activities	% INTEREST	
		2018	2017
Oil and Gas interests			
Australia			
Cooper Basin (South Australia)			
Ex PEL 92 (PRLs 85-104)	Oil production	75.0	75.0
Ex PEL 104 (PRLs 15,136-141)	Oil production	40.0	40.0
Ex PEL 513 (PRLs 191-206)	Gas production and exploration	40.0	40.0
Ex PEL 632 (PRLs 131-134)	Gas production and exploration	40.0	40.0
PEL 630	Oil and gas exploration	50.0	50.0
SA Fixed Factor Area	Oil and gas production	33.4	20.2
SA Unit	Oil production	33.4	20.2
Cooper Basin (Queensland)			
Naccowlah Block	Oil production	38.5	38.5
ATP 299 (Tintaburra)	Oil production	40.0	40.0
Total 66 Block	Oil production	30.0	30.0
SWQ Unit	Gas production	39.9	23.2
Otway Basin (Victoria/Tasmania)			
BassGas Project	Gas production	53.8	-
Perth Basin (Western Australia)			
Beharra Springs	Gas production	67.0	-
Waitsia Gas Project	Gas production	50.0	-
International			
Taranaki Basin (New Zealand)			
Kupe Gas Project	Gas production	50.0	-

Details of commitments for expenditure and contingent liabilities incorporating the Group's interests in joint operations are shown in Notes 14 and 27 respectively.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

12. Carrying value of oil and gas properties

The carrying amounts of oil and gas properties are assessed half yearly to determine whether there is an indication of impairment or impairment reversal for those assets which have previously been impaired. Indicators of impairment and impairment reversals include changes in future selling prices, future costs and reserves. When assessing potential indicators of impairment or reversals the Group models scenarios and a range of possible future commodity prices is considered. If any such indication exists, the asset's recoverable amount is estimated. Petroleum assets are assessed for impairment indicators and impairments on a cash generating unit (CGU) basis. Following review of interdependencies between the various operations within the Group, it has been determined that the operational CGU's are Cooper Basin, Perth Basin, OGP, BassGas and Kupe.

The recoverable amount of an asset or CGU is determined as the higher of its value in use and fair value less costs of disposal. Value in use is determined by estimating future cash flows after taking into account the risks specific to the asset and discounting it to its present value using an appropriate discount rate. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is written down and an impairment loss is recognised in the statement of profit or loss. For assets previously impaired, if the recoverable amount exceeds the carrying amount and the indicators driving the increase in value are sustained for a period of time, the impairment loss is reversed. The carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group assessed each CGU to determine whether an indicator of impairment or impairment reversal existed. No indicators of impairment or impairment reversal were identified in the current year.

Future cash flow information used for the value in use calculation is based on the Group's latest reserves, budget, five-year plan and project economic plans.

2018 financial year

Impairment and impairment reversal indicator modelling

In determining whether there is an indicator of impairment or impairment reversal, in the absence of quoted market prices, estimates are made regarding the present value of future cash flows for each CGU. These estimates require significant management judgement and are subject to risk and uncertainty, and hence changes in economic conditions can also affect the assumptions used and the rates used to discount future cash flow estimates. The present value of future cash flows for each CGU were estimated using the assumptions below with reference to external market forecasts at least bi-annually. The assumptions applied have regard to contracted prices and observable market data including forward values and external market analyst's forecasts.

For the current financial year, the following assumptions were used in the assessment of the CGU's recoverable amounts:

- Brent oil price (real) of US\$74.75/bbl in FY19 and US\$70/bbl for FY20 and beyond.
- A\$/US\$ exchange rate of 0.77 in FY19 and 0.75 for FY20 and beyond
- Pre-tax real discount rate of between 9.4% and 14.4%.
- Where appropriate the cash flow inputs have been adjusted to reflect identifiable uncertainty and risk.

2017 financial year

For the financial year ended 30 June 2017, the Group assessed each CGU to determine whether an indicator of impairment or impairment reversal existed. Indicators of impairment or impairment reversal include changes in future selling prices, future costs and reserves. Following a formal assessment of the recoverable amount of the Cooper Basin CGU, taking into account the sensitivity of the recoverable amount model to key assumptions, and the market capitalisation of the Company, it was determined that a reversal of impairment expenses of \$150 million should be booked in relation to Cooper Basin oil and gas assets.

The drivers of the impairment reversal on Cooper Basin oil and gas assets related to the increase in 2P reserves together with improvements to the operating and capital cost assumptions, reflecting improvements made since the last review.

13. Provisions

A provision for rehabilitation and restoration is provided by the Group where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas once petroleum reserves are exhausted. Restoration liabilities are discounted to present value and capitalised as a component part of petroleum assets and exploration and evaluation assets. The capitalised costs are amortised over the life of the petroleum assets and the provision revised at the end of each reporting period through the profit or loss as the discounting of the liability unwinds. The unwinding of discounting on the provision is recognised as a finance cost.

Estimate of restoration costs

The Group estimates the future removal costs of offshore oil and gas platforms, production facilities, wells and pipelines at different stages of the development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and liability specific discount rates to determine the present value of these cash flows.

The provision amount represents the Group's current best estimate of its restoration obligations to be performed in the future based on current industry practice and expectations. However this will be dependent on approval by regulatory authorities prior to restoration activities being undertaken and may be subject to change.

13. Provisions continued

Estimate of employee entitlements

Long service leave is measured at the present value of benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate. Management requires judgement to determine key assumptions used in the calculation including future increases in salaries and wages, future on-cost rates and future settlement dates of employees' departures.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Current		
Other provisions	4.3	3.9
Employee entitlements	11.4	5.2
Restoration	23.9	39.5
Total	39.6	48.6
Non-Current		
Employee entitlements	6.0	1.4
Restoration	760.8	215.0
Total	766.8	216.4

Movement in the Group's provisions are set out below:

	Restoration \$million	Employee entitlements \$million	Other \$million
Balance at 1 July 2017	254.5	6.6	3.9
Provision made during the year	39.5	2.1	0.4
Provision paid/used during the year	(22.8)	(4.0)	-
Unwind of discount	14.9	-	-
Acquisitions	501.2	12.7	-
Net transfer to liabilities held for sale	(2.6)	-	-
Balance at 30 June 2018	784.7	17.4	4.3

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14. Commitments for expenditure

	CONSOLIDATED	
	2018 \$million	2017 \$million
Capital Commitments		
The Group has contracted the following amounts for capital expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.		
Due within 1 year	31.1	18.3
Due within 1-5 years	0.4	1.0
Due later than 5 years	-	-
	31.5	19.3
Minimum Exploration Commitments		
The Group is required to meet minimum expenditure requirements of various government regulatory bodies and joint arrangements. These obligations may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.		
Due within 1 year	56.2	7.5
Due within 1-5 years	23.5	39.9
Due later than 5 years	0.7	0.3
	80.4	47.7

The Group's share of the above commitments that relate to its interest in joint arrangements are \$27.3 million (2017: \$17.8 million) for capital commitments and \$31.9 million (2017: \$32.6 million) for minimum exploration commitments.

Operating Commitments

The Group has contracted the following amounts for operating expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Due within 1 year	12.3	11.4
Due within 1-5 years	1.2	-
Due later than 5 years	-	-
	13.5	11.4

Default on permit commitments by other joint arrangement participants could increase the Group's expenditure commitments over the forthcoming 5 year period and/or result in relinquishment of tenements. Any increase in the Group's commitments that arises from a default by a joint arrangement party would be accompanied by a proportionate increase in the Group's equity in the tenement concerned.

FINANCIAL AND RISK MANAGEMENT

This section provides details on the Group's debt and related financing costs, interest income, cash flows and the fair values of items in the Group's statement of financial position. It also provides details of the Group's market, credit and liquidity risks and how they are managed.

15. Finances and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption being recognised in the profit or loss over the period of the borrowings on an effective interest basis. Transaction costs are amortised on a straight line basis over the term of the facility. The unwinding of present value discounting on debt and provisions is also recognised as a finance cost. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Interest income is recognised in the profit or loss as it accrues using the effective interest method and if not received at balance date, is reflected in the balance sheet as a receivable.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Net finance expenses/(income)		
Finance costs ¹	10.6	4.5
Interest expense	18.1	5.1
Discount unwinding on provision for restoration (Note 13)	14.9	11.3
Total finance expenses	43.6	20.9
Interest income	(7.0)	(6.9)
Net finance expenses	36.6	14.0
Non-current Borrowings		
Bank debt	950.0	150.0
Less debt issuance costs	(24.3)	(2.0)
Total non-current borrowings	925.7	148.0

1. Includes expensing of \$1.3 million in capitalised debt facility costs on cancellation of previous debt facility.

On 23 November 2017, Beach executed a Syndicated Debt Facility Agreement for a \$1,475 million Senior Secured Debt Facility in order to fund the acquisition of Lattice. The facility is comprised of a \$475 million three year term debt facility (Facility A), \$475 million five year term debt facility (Facility B), \$450 million five year revolving debt facility (Facility C), and \$75 million Letter of Credit facility (Facility D).

As at 30 June 2018, \$475 million of Facility A was drawn, \$475 million of Facility B was drawn and Facility C remained fully undrawn, with \$48.3 million of Facility D being utilised by way of bank guarantees. Bank debt bears interest at the relevant reference rate plus a margin, with the effective interest rate in FY18 of 3.76% (2017: 3.20%).

16. Cash flow reconciliation

For the purpose of the statement of cash flows, cash includes cash on hand, cash at bank, term deposits with banks, and highly liquid investments in money market instruments, net of outstanding bank overdrafts. Any investments of the Group with fixed maturities are stated at amortised cost using the effective interest rate method where it is the Group's intention to hold them to maturity.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Reconciliation of cash and cash equivalents		
Cash at bank	231.2	32.3
Term deposits	80.0	315.7
Cash and cash equivalents	311.2	348.0
Reconciliation of net profit to net cash provided by operating activities:		
Net profit after tax	198.8	387.5
Less items classified as investing/financing activities:		
- Gain on disposal of non-current assets	(1.0)	(0.6)
- Gain on disposal of investments	(5.3)	-
- Gain on sale of joint operation interests	-	(3.7)
- Gain on settlement of restoration obligation	(15.0)	-
- Gain on sale of subsidiary	-	(46.9)
- Gain on adjustments to fair values on acquisition of subsidiary	-	(1.4)
- Recognition of deferred tax assets/(liability) on items direct in equity	7.8	(2.3)
	185.3	332.6
Add/(less) non-cash items:		
- Share based payments	1.4	0.7
- Depreciation and amortisation	314.5	171.5
- Impairment expense/(reversal)	88.3	(108.6)
- Unrealised hedging (gain)/loss	(1.3)	3.6
- Discount unwinding on provision for restoration	14.9	11.3
- Provision for stock obsolescence movement	-	0.8
- Other	5.4	2.2
Net cash provided by operating activities before changes in assets and liabilities	608.5	414.1
Changes in assets and liabilities net of acquisitions / disposal of subsidiaries:		
- Decrease/(increase) in trade and other receivables	(56.2)	(35.9)
- Decrease/(increase) in inventories	13.4	26.4
- Decrease/(increase) in other current assets	0.9	(0.9)
- Decrease/(increase) in other non-current assets	0.7	0.7
- Decrease/(increase) in deferred tax assets	10.5	(79.3)
- Increase/(decrease) in provisions	(36.8)	(6.4)
- Increase/(decrease) in current tax liability	90.1	9.4
- Increase/(decrease) in deferred tax liability	(38.1)	-
- Increase/(decrease) in trade and other payables	52.1	(9.1)
- Increase/(decrease) in net derivatives	17.8	-
Net cash provided by operating activities	662.9	319.0

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17. Financial risk management

The Group's activities expose it to a variety of financial risks including currency, commodity, interest rate, credit and liquidity risk. Management identifies and evaluates all financial risks and enters into financial risk instruments such as foreign exchange contracts, commodity contracts and interest rate swaps to hedge certain risk exposures and minimise potential adverse effects of these risk exposures in accordance with the Group's financial risk management policy as approved by the Board. The Group does not trade in derivative financial instruments for speculative purposes.

The Board actively reviews all hedging on a regular basis with updates provided to the Board from independent consultants/banking analysts to keep them fully informed of the current status of the financial markets. Reports providing detailed analysis of all hedging are also continually monitored against the Group's financial risk management policy.

Financial instruments are initially measured at fair value, net of transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Financial assets at fair value through profit or loss: A financial asset is classified in this category if acquired principally for the purpose of selling in the near term. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments: These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments of the Group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets: Available for sale financial assets include any financial assets not capable of being included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Financial liabilities: Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value: Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment: At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are transferred from the available for sale reserve to be recognised in the profit or loss.

(a) Fair values

Certain assets and liabilities of the Group are recognised in the statement of financial position at their fair value in accordance with accounting standard AASB 13 Fair Value Measurement. The methods used in estimating fair value are made according to how the available information to value the asset or liability fits with the following fair value hierarchy:

- Level 1 – the fair value is calculated using quoted prices in active markets;
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17. Financial risk management continued

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

CARRYING AMOUNT	Note	FAIR VALUE - DERIVATIVES		LOANS AND RECEIVABLES		AVAILABLE-FOR-SALE		OTHER FINANCIAL ASSETS/LIABILITIES		TOTAL	
		2018 \$million	2017 \$million	2018 \$million	2017 \$million	2018 \$million	2017 \$million	2018 \$million	2017 \$million	2018 \$million	2017 \$million
Financial assets											
Measured at fair value											
Derivatives		19.0	0.8	-	-	-	-	-	-	19.0	0.8
Available-for-sale		-	-	-	-	-	44.4	-	-	-	44.4
		19.0	0.8	-	-	-	44.4	-	-	19.0	45.2
Not measured at fair value											
Cash		-	-	-	-	-	-	311.2	348.0	311.2	348.0
Receivables		-	-	273.5	116.0	-	-	-	-	273.5	116.0
Other		-	-	-	-	-	-	10.2	11.4	10.2	11.4
		-	-	273.5	116.0	-	-	321.4	359.4	594.9	475.4
Financial liabilities											
Measured at fair value											
Derivatives		47.0	1.1	-	-	-	-	-	-	47.0	1.1
		47.0	1.1	-	-	-	-	-	-	47.0	1.1
Not measured at fair value											
Payables		-	-	-	-	-	-	311.1	66.5	311.1	66.5
Interest bearing liabilities	15	-	-	-	-	-	-	950.0	150.0	950.0	150.0
		-	-	-	-	-	-	1,261.1	216.5	1,261.1	216.5

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 fair value. 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 profit or loss or other comprehensive income (OCI) and later reclassified to profit or loss when the hedge item affects 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).

Cash Flow Hedging

The Group has designated 2,782,350 bbls of Brent Crude oil monthly average collar for \$55-100-110/bbl, allocated as 481,950 bbls/month for July 2018 – September 2018 and 222,750 bbls/month for October 2018 – March 2019, as cash flow hedges under AASB 139. The Australian dollar oil option collar contracts are designated as cash flow hedges of forecast crude oil sales in US dollars, with the hedge effective component of the fair value included in OCI. These forecast transactions are considered highly probable, comprising about 41% of the Group's total expected oil sales in US dollars to June 2019. The cash flow hedges were assessed to be highly effective and a net unrealised loss of \$14.4 million is included in OCI. The Group's cash flow hedges are not traded in active markets, however all significant inputs required to fair value an instrument are observable (Level 2).

Available-for-sale financial assets

The fair value of available-for-sale financial assets is determined by reference to their quoted closing price at the reporting date (Level 1). These investments are measured at fair value using the closing price on the reporting date as listed on various securities exchanges. Unrealised gains and losses arising from changes in fair value are taken directly to equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to the profit or loss.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2018 and there have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2018.

The Group also has a number of other financial assets and liabilities including cash and cash equivalents, receivables and payables which are recorded at their carrying value which is considered to be a reasonable approximation of their fair value.

17. Financial risk management continued

(b) Market Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group sells a portion of its products and commits to some contracts in US dollars or NZ dollars. Australian dollar oil option contracts are used by the Group to manage its foreign currency risk exposure. Any foreign currencies held which are surplus to forecast needs are converted to Australian dollars as required.

The Group is exposed to commodity price fluctuations through the sale of petroleum products and other oil-linked contracts. Option contracts are used by the Group to manage its forward commodity risk exposure. The Group policy is to manage commodity price exposure by way of Australian dollar denominated oil options for up to 18 months. Changes in fair value of these derivatives are recognised immediately in the profit or loss and other comprehensive income, having regard to whether they are defined as accounting hedges.

Commodity Hedges outstanding at 30 June 2018

- Brent Crude oil monthly average collar for \$40-90-105/bbl for 65,000 bbls/month for the period July 2018 – September 2018 and 30,000 bbls/month for the period October 2018 – December 2018.
- Brent Crude oil monthly average collar for \$40-90-100/bbl for 95,000 bbls/month for the period July 2018 – September 2018, 65,000 bbls/month for the period October 2018 – December 2018 and 32,500 bbls/month for the period January 2019 – March 2019.
- Brent Crude oil monthly average collar for \$40-102.5-112.5/bbl for 60,000 bbls/month for the period July 2018 – March 2019 and 30,000 bbls/month for the period April 2019 – June 2019.
- Brent Crude oil monthly average collar for \$55-100-110/bbl for 595,000 bbls/month for the period July 2018 – September 2018 and 275,000 bbls/month for the period October 2018 – March 2019.

Commodity Hedges outstanding at 30 June 2017

- Brent Crude oil monthly average collar for \$40-102/bbl for 57,500 bbls/month for the period July 2017 – March 2018.
- Brent Crude oil monthly average 3-way collar for \$50-96-106/bbl for 42,500 bbls/month for the period July 2017 – September 2017, 37,500 bbls/month for the period October 2017 – December 2017, 30,000 bbls/month for the period January 2018 – March 2018 and 25,000 bbls/month for the period April 2018 – June 2018.
- Brent Crude oil monthly average collar for \$40-90/bbl for 55,000 bbls/month for the period October 2017 – December 2017, 110,000 bbls/month for the period January 2018 – June 2018, 65,000 bbls/month for the period July 2018 – September 2018 and 30,000 bbls/month for the period October 2018 – December 2018.

The Group's interest rate risk arises from the interest bearing cash held on deposit and its bank loan facility which is subject to variable interest rates. The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	CONSOLIDATED	
	2018	2017
	\$million	\$million
Fixed rate instruments:		
Term deposits	80.0	315.7
	80.0	315.7
Variable rate instruments:		
Financial assets	231.2	32.3
Bank loan facility	(950.0)	(150.0)
	(718.8)	(117.7)

Sensitivity analysis for all market risks

The following table demonstrates the estimated sensitivity to changes in the relevant market parameter, with all variables held constant, on post tax profit and equity, which are the same as the profit impact flows through to equity. These sensitivities should not be used to forecast the future effect of a movement in these market parameters on future cash flows which may be different as a result of the Group commodity hedge book.

17. Financial risk management continued

	CONSOLIDATED	
	2018 \$million	2017 \$million
Impact on post-tax profit and equity		
A\$/US\$ - 10% increase in Australian/US dollar exchange rate	(39.1)	(24.6)
A\$/US\$ - 10% decrease in Australian/US dollar exchange rate	47.0	30.0
US\$ oil price - increase of \$10/bbl	57.2	51.4
US\$ oil price - decrease of \$10/bbl	(61.6)	(51.1)
Interest rates - increase of 1%	(0.7)	0.9
Interest rates - decrease of 1%	0.7	(0.9)

(c) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions, and represents the potential financial loss if counterparties fail to perform as contracted. Management monitors credit risk on an ongoing basis. Gas sales contracts are spread across major Australian and New Zealand energy retailers and industrial users with liquid hydrocarbon products sales being made to major multi-national energy companies based on international market pricing.

In addition, receivables balances are monitored on an ongoing basis with the result that Beach's exposure to bad debts is not significant. The Group does not hold collateral, nor does it securitise its trade and other receivables. At 30 June 2018, Beach does not have any material trade and other receivables which are outside standard trading terms which have not been provided against.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Ageing of Receivables:		
Receivables not yet due	272.1	116.0
Receivables past due	1.8	0.4
Considered impaired	(0.4)	(0.4)
Total Receivables	273.5	116.0

Trade debtors to be settled within agreed terms are carried at amounts due. The collectability of debts is assessed at the end of the reporting period and specific provision is made for any doubtful accounts.

The Group manages its credit risk on financial assets by predominantly dealing with counterparties with an investment grade credit rating. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures.

Cash is placed on deposit amongst a number of financial institutions to minimise the risk of counterparty default.

(d) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims at maintaining flexibility in funding to meet ongoing operational requirements, exploration and development expenditure, and small-to-medium-sized opportunistic projects and investments, by keeping committed credit facilities available. Details of Beach's financing facilities are outlined in Note 15.

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

CARRYING AMOUNT	Note	LESS THAN 1 YEAR		1 TO 2 YEARS		2 TO 5 YEARS		TOTAL	
		2018 \$million	2017 \$million	2018 \$million	2017 \$million	2018 \$million	2017 \$million	2018 \$million	2017 \$million
Financial liabilities									
Payables		293.3	66.5	17.8	-	-	-	311.1	66.5
Interest bearing liabilities	15	-	-	-	150.0	950.0	-	950.0	150.0
		293.3	66.5	17.8	150.0	950.0	-	1,261.1	216.5

EQUITY AND GROUP STRUCTURE

This section provides information which will help users understand the equity and group structure as a whole including information on equity, reserves, dividends, subsidiaries, the parent company, related party transactions and other relevant information.

18. Contributed equity

Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as a reduction to the proceeds received, net of any related income tax benefit. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

	Number of Shares	\$million
Issued and fully paid ordinary shares at 30 June 2016	1,860,704,532	1,548.7
Issued during the FY17 financial year		
Shares issued on vesting of unlisted performance rights	643,536	-
Shares issued under the terms of the Dividend Reinvestment Plan		
Interim 1.0 cent per share dividend	8,151,724	5.7
Final 0.5 cent per share dividend	4,312,692	2.3
Repayment of employee loans and sale of employee shares	-	1.8
Issued and fully paid ordinary shares at 30 June 2017	1,873,812,484	1,558.5
Issued during the FY18 financial year		
Shares issued on vesting of unlisted performance and CEO rights	1,213,891	-
Rights issue (3 for 14 pro-rata entitlement offer, net of costs)	401,543,843	297.3
Repayment of employee loans and sale of employee shares	-	3.3
Issued and fully paid ordinary shares at 30 June 2018	2,276,570,218	1,859.1

In accordance with changes to applicable corporations legislation effective from 1 July 1998, the shares issued do not have a par value as there is no limit on the authorised share capital of the Company. All shares issued under the Company's employee incentive plan are accounted for as a share-based payment (refer Note 4 and 19 for further details). Shares issued under the Company's dividend reinvestment plan and employee incentive plan represent non-cash investing and financing activities. On a show of hands, every person qualified to vote, whether as a member or proxy or attorney or representative, shall have one vote. Upon a poll, every member shall have one vote for each ordinary share held.

Details of shares and rights issued and outstanding under the Employee Incentive Plan and Executive Incentive Plan are provided in Note 4.

Dividend Reinvestment Plan

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

Capital management

Management is responsible for managing the capital of the Group, on behalf of the Board, in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure the Group can fund its operations with secure, cost-effective and flexible sources of funding. The Group debt and capital includes ordinary shares, borrowings and financial liabilities including derivatives supported by financial assets. Management effectively manages the capital of the Group by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. The responses include the management of debt levels, dividends to shareholders and share issues. Debt repayment is currently a key priority for the Group in order to bring net gearing levels in line with market guidance. The Group net gearing ratio is 25.9% (2017: net cash). Net gearing has been calculated as financial liabilities (including borrowings and unsecured bank guarantees) less cash and cash equivalents, as a proportion of these items plus shareholder's equity.

19. Reserves

The Share based payments reserve is used to recognise the fair value of shares, options and rights issued to employees of the Company.

The Available-for-sale reserve is used to recognise changes in the fair value of available for sale financial assets. Amounts are recognised in the profit or loss when the associated assets are sold or impaired.

The Foreign currency translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than Australian dollars.

The Profit distribution reserve represents an amount allocated from retained earnings that is preserved for future dividend payments.

The Hedging reserve is used to capture the effective portion of the mark to market movement of instruments designated in a hedge relationship.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Share based payments reserve	30.6	29.1
Available-for-sale reserve	-	14.9
Foreign currency translation reserve	17.4	15.8
Profit distribution reserve	172.4	172.4
Hedging reserve	(10.1)	-
Total reserves	210.3	232.2

20. Dividends

A provision is recognised for dividends when they have been announced, determined or publicly recommended by the directors on or before the reporting date.

	CONSOLIDATED	
	2018 \$million	2017 \$million
Final dividend of 1.0 cent (2017: 0.5 cents)	18.7	9.3
Interim dividend of 1.0 cent (2017: 1.0 cent)	22.8	18.7
Total dividends paid or payable	41.5	28.0
Franking credits available in subsequent financial years based on a tax rate of 30% (2017 - 30%)	47.5	51.6

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

21. Subsidiaries

Name of Company	Place of incorporation	PERCENTAGE OF SHARES HELD	
		% 2018	% 2017
Beach Energy Limited ^{1,2}	South Australia		
Beach Petroleum (NZ) Pty Ltd	South Australia	100	100
Beach Oil and Gas Pty Ltd	New South Wales	100	100
Beach Production Services Pty Ltd	South Australia	100	100
Beach Petroleum (Cooper Basin) Pty Ltd	Victoria	100	100
Beach Petroleum (CEE) s.r.l	Romania	100	100
Beach (Tanzania) Pty Ltd	Victoria	100	100
Beach Petroleum (Tanzania) Limited	Tanzania	100	100
Beach (USA) Inc ³	USA	100	100
Beach Petroleum (NT) Pty Ltd	Victoria	100	100
Territory Oil & Gas Pty Ltd	Northern Territory	100	100
Adelaide Energy Pty Ltd	South Australia	100	100
Australian Unconventional Gas Pty Ltd	South Australia	100	100
Deka Resources Pty Ltd	South Australia	100	100
Well Traced Pty Ltd	South Australia	100	100
Australian Petroleum Investments Pty Ltd ^{1,2}	Victoria	100	100
Delhi Holdings Pty Ltd	Victoria	100	100
Delhi Petroleum Pty Ltd ^{1,2}	South Australia	100	100
Impress Energy Pty Ltd ^{1,2}	Western Australia	100	100
Impress (Cooper Basin) Pty Ltd ^{1,2}	Victoria	100	100
Springfield Oil and Gas Pty Ltd ^{1,2}	Western Australia	100	100
Mazeley Ltd	Liberia	100	100
Mawson Petroleum Pty Ltd	Queensland	100	100
Claremont Petroleum (PNG) Ltd	Papua New Guinea	100	100
Drillsearch Energy Pty Ltd ^{1,2}	Victoria	100	100
Circumpacific Energy (Australia) Pty Ltd	New South Wales	100	100
Drillsearch Gas Pty Ltd	Queensland	100	100
Drillsearch (Field Ops) Pty Ltd	New South Wales	100	100
Drillsearch (Finance) Pty Ltd ⁴	Victoria	-	100
Drillsearch Energy (PNG) Ltd	Papua New Guinea	100	100
Kun Yick International Ltd ⁴	Hong Kong	-	100
Drillsearch (513) Pty Ltd	New South Wales	100	100
Drillsearch (Central) Pty Ltd	Victoria	100	100
Ambassador Oil & Gas Pty Ltd	Victoria	100	100
Ambassador (US) Oil & Gas LLC	USA	100	100
Ambassador Exploration Pty Ltd	Victoria	100	100
Acer Energy Pty Ltd	Queensland	100	100
Great Artesian Oil & Gas Pty Ltd ^{1,2}	New South Wales	100	100
Lattice Energy Limited ²	South Australia	100	-
Lattice Energy Resources (Perth Basin) Pty Ltd ²	Australian Capital Territory	100	-
Lattice Energy Resources (Bonaparte) Pty Ltd	South Australia	100	-
Lattice Energy Resources (Bass Gas) Limited	UK	100	-
Lattice Energy Services Pty Ltd	Victoria	100	-
Lattice Energy Finance Pty Ltd	Victoria	100	-
Beach Energy Resources NZ (Holdings) Limited ⁵	New Zealand	100	-
Beach Energy Resources NZ (Kupe) Limited ⁶	New Zealand	100	-
Beach Energy (Kupe) Limited ⁷	New Zealand	100	-
Kupe Mining (No.1) Limited	New Zealand	100	-
Beach Energy Resources NZ (Tawn) Limited ⁸	New Zealand	100	-
Lattice Energy Resources (Otway) Limited ⁹	UK	100	-

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

1. Company in Closed Group in FY17 (refer Note 22)
2. Company in Closed Group in FY18 (refer Note 22)
3. Voluntary dissolution of Beach USA Inc. authorized on 11 February 2016, to be finalized 11 February 2019
4. Company liquidated and deregistered/dissolved during FY18
5. Changed from Lattice Energy Resources NZ (Holdings) Ltd on 21 March 2018
6. Changed from Lattice Energy Resources NZ (Kupe) Ltd on 21 March 2018
7. Changed from Kupe Development Ltd on 21 March 2018
8. Changed from Lattice Energy Resources NZ (Tawn) Ltd on 21 March 2018
9. Changed from Toyota Tsusho Gas E&P Otway Ltd on 26 June 2018

22. Deed of cross guarantee

Pursuant to ASIC (wholly-owned companies) Instrument 2016/785, certain wholly-owned subsidiaries can be relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Beach and each of the subsidiaries that opted for relief during the year (the Closed Group) entered into a Deed of Cross Guarantee (Deed). The effect of the Deed is that Beach has guaranteed to pay any deficiency in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. The Subsidiaries have also given a similar guarantee in the event that Beach is wound up. Those companies in the Closed Group for each year are referred to in Note 21.

The consolidated statement of profit or loss and other comprehensive income, summary of movements in retained earnings/(accumulated losses) and statement of financial position of the Closed Group are as follows:

	CLOSED GROUP	
	2018 \$million	2017 \$million
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Sales revenue	1,147.3	639.6
Cost of sales	(714.4)	(460.5)
Gross profit	432.9	179.1
Other revenue	13.6	25.0
Other income	22.3	-
Other expenses ¹	(375.0)	69.7
Operating profit before financing costs	93.8	273.8
Interest income	6.6	6.8
Finance expenses	(40.7)	(20.2)
Profit before income tax expense	59.7	260.4
Income tax benefit/(expense)	(19.4)	81.3
Profit after tax for the year	40.3	341.7
Other comprehensive income/(loss)		
Net change in fair value of available for sale financial assets	(17.2)	13.8
Net change in hedging reserves	(14.4)	-
Tax effect relating to components of Other Comprehensive Income	6.6	(2.2)
Other comprehensive income/(loss) net of tax	(25.0)	11.6
Total comprehensive income/(loss) after tax	15.3	353.3
Summary of movements in the Closed Group's retained earnings/(accumulated losses)		
Accumulated losses at beginning of the year	(261.7)	(1,156.8)
Net profit for the year ¹	40.3	341.7
Change in Closed Group entities	-	572.1
Dividends paid to shareholders	(41.5)	(18.7)
Accumulated losses at end of the year	(262.9)	(261.7)

1. Includes adjustment to 2017 impairment reversal of \$1.8 million

22. Deed of cross guarantee continued

	CLOSED GROUP	
	2018 \$million	2017 \$million
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	193.5	347.5
Receivables	265.5	125.0
Inventories	90.4	49.6
Derivative financial instruments	19.0	0.6
Other	6.4	5.5
Assets held for sale	21.2	1.6
Total current assets	596.0	529.8
Non-current assets		
Receivables	-	59.2
Available-for-sale financial assets	-	44.4
Other property, plant and equipment	5.5	413.0
Petroleum assets ¹	2,426.2	555.6
Exploration and evaluation assets	357.3	187.7
Goodwill	37.2	-
Deferred tax assets	110.4	84.4
Derivative financial instruments	-	0.2
Other financial assets	372.1	109.5
Total non-current assets	3,308.7	1,454.0
Total assets	3,904.7	1,983.8
Current liabilities		
Payables	263.4	70.0
Provisions	20.9	41.6
Current tax liability	62.3	10.1
Derivative financial instruments	47.0	0.6
Liabilities held for sale	-	0.4
Total current liabilities	393.6	122.7
Non-current liabilities		
Payables	152.5	-
Provisions	643.8	199.3
Interest bearing liabilities	925.7	148.0
Derivative financial instruments	-	0.5
Total non-current liabilities	1,722.0	347.8
Total liabilities	2,115.6	470.5
Net assets	1,789.1	1,513.3
Equity		
Contributed equity	1,859.1	1,558.5
Reserves	192.9	216.5
Accumulated losses	(262.9)	(261.7)
Total equity	1,789.1	1,513.3

1. Includes adjustment to 2017 impairment reversal of \$1.8 million

23. Parent entity financial information

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

Financial performance

	PARENT	
	2018 \$million	2017 \$million
Net (loss)/profit after tax	(38.2)	207.4
Other comprehensive (loss)/income, net of tax	(14.9)	11.5
Total comprehensive (loss)/income after tax	(53.1)	218.9
Total current assets	154.1	528.6
Total assets	2,344.4	1,223.7
Total current liabilities	201.1	67.2
Total liabilities	1,168.3	245.0
Issued capital	1,859.1	1,558.5
Share based payments reserve	30.6	29.1
Available-for-sale reserve	-	14.8
Profits distribution reserve	172.4	172.4
Hedging reserve	(10.1)	0.0
Retained earnings	(875.9)	(796.1)
Total equity	1,176.1	978.7

Expenditure Commitments

The Company's contracted expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.

Capital expenditure commitments	0.4	1.5
Minimum exploration commitments	14.2	29.1
Operating commitments	0.2	0.1

Contingent liabilities and guarantees

Details of contingent liabilities for the Company in respect of service agreements, bank guarantees and parent company guarantees are disclosed in Note 27.

Beach Energy Limited and a number of its wholly owned subsidiaries are parties to a Deed of Cross Guarantee as disclosed in Note 22. The effect of the Deed is that Beach Energy Limited has guaranteed to pay any deficiency in the event of winding up of any of the listed subsidiary companies under certain provisions of the Corporations Act 2001.

Parent entity financial information has been prepared using the same accounting policies as the consolidated financial statements. Investments in controlled entities are included in other financial assets and are initially recorded in the financial statements at cost. These investments may have subsequently been written down to their recoverable amount determined by reference to the net assets of the controlled entities at the end of the reporting period where this is less than cost.

24. Related party disclosures

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Remuneration for Key Management Personnel

	CONSOLIDATED	
	2018 \$	2017 \$
Short term benefits	7,020,807	7,323,732
Share based payments	1,778,536	658,164
Other long term benefits	(28,649)	140,481
Total	8,770,694	8,122,377

Subsidiaries

Interests in subsidiaries are set out in Note 21.

Transactions with other related parties

During the financial year ended 30 June 2018, Beach used the legal services of DMAW Lawyers, a legal firm of which the Chairman, Mr Davis is a principal. Beach paid \$48,231 during the financial year (FY17: \$64,742) to DMAW lawyers for legal services. Directors fees payable to Mr Davis for the year ended 30 June 2018 of \$275,000 (FY17: \$250,000) were also paid directly to DMAW Lawyers.

During the current financial year Beach paid \$16,500 (FY17: \$33,000) to Energy Insights (a company owned by Mr Rayner, a former Beach executive) for office rental in Brisbane.

During the current financial year Beach paid USD \$1,973,472 to Central Petroleum Mereenie Pty Ltd, an entity of which director, Peter Moore is also a director, for the purchase of crude oil on commercial terms. Beach also paid \$227,905 to Coates Hire Operations Pty Ltd, an entity of which Ryan Stokes is also a director, for the hire of equipment on arms length commercial terms.

Entities controlled by Seven Group Holdings Limited (SGH) agreed to sub-underwrite the institutional and retail tranches of Beach's 3 for 14 Entitlement Offer in September 2017 for up to 68,260,311 New Shares ("Sub-Underwriting Cap"). SGH received an arm's length fee for its sub-underwriting commitment which is materially the same as paid by the Underwriters to other institutional sub-underwriters

25. Disposal group held for sale

The head office building was shown as held for sale at 30 June 2018 with its carrying value impaired by \$1.2 million down to the sale price less costs to sell of \$21.2 million. The sale completed on 12 July 2018. Beach also entered into a sale agreement in FY18 for exploration permit EP 126 in the Bonaparte basin. This transaction is expected to be completed in FY19.

In July 2017 Beach entered into a sale agreement in relation to certain Queensland gas permits (PL184 and ATP932). During the prior year 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. The sale was completed during FY18.

Assets and liabilities of disposal groups held for sale

	BONAPARTE		QUEENSLAND GAS		CORPORATE		TOTAL	
	Jun 2018 \$million	Jun 2017 \$million	Jun 2018 \$million	Jun 2017 \$million	Jun 2018 \$million	Jun 2017 \$million	Jun 2018 \$million	Jun 2017 \$million
Property, plant and equipment	-	-	-	-	21.2	-	21.2	-
Exploration	-	-	-	1.7	-	-	-	1.7
Assets held for sale	-	-	-	1.7	21.2	-	21.2	1.7
Provisions	2.6	-	-	0.4	-	-	2.6	0.4
Liabilities held for sale	2.6	-	-	0.4	-	-	2.6	0.4

25. Disposal group held for sale continued

In the previous financial year, Beach completed the sale of Beach Petroleum (Egypt) Pty Ltd (Beach Egypt), whose core asset was a 22% interest in the Abu Sennan Concession, to Rockhopper. Beach received cash consideration of US\$20.5 million and also received a post completion adjustment of US\$6.7m.

The disposal had the following effect on the consolidated entity:

	2017 \$million
Profit on sale	
Cash consideration	15.6
Receivables	9.8
Post completion adjustment	8.9
Total consideration received	34.3
Less assets and liabilities disposed	
Assets held for sale	(39.4)
Liabilities held for sale	0.8
Net assets disposed	(38.6)
Release of cumulative gain on historic translation of Beach Egypt included in OCI	53.7
Transaction costs and other adjustments	(2.5)
Profit on sale	46.9
Cash flow on disposal	
Net cash disposed with the subsidiary	-
Cash consideration (excluding deposit received in prior year)	14.0
Post completion adjustment	8.9
Cash received from outstanding receivable on sale	1.6
Cash outflows paid prior to sale	(1.6)
Net cash flow on disposal	22.9

26. Business combination

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

During the financial year, Beach acquired the Lattice Energy Group, Benaris' interest in the Otway Gas Project and Toyota Tsusho corporations interest in the Otway Gas Project and the BassGas project. Beach acquired these interests for \$1,532 million in consideration with an effective accounting acquisition date of 1 January 2018. Lattice was Origin's conventional upstream oil and gas business that has interests in the offshore Victorian (OGP 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 (offshore Western Australia) and Canterbury basin (New Zealand). 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 Lattice acquisition included the acquisition of Benaris' 27.77% interest in OGP for which Origin had entered into a binding purchase agreement and the Toyota Tsusho transaction increased Beach's ownership in OGP to 100% and BassGas Project to 53.75%.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26. Business combination continued

These acquisitions have transformed Beach from a Cooper Basin oil and gas producer and explorer to a multi-basin producer and explorer with significant development potential and had the following effect on the consolidated entity:

	\$million
Purchase consideration	1,532.0
Fair value of net assets acquired	1,448.1
Goodwill on acquisition	83.9
Fair Value of assets acquired	
Assets and liabilities held at acquisition date:	
- Cash	79.0
- Receivables	93.8
- Inventory	57.7
- other current assets	4.8
- Petroleum assets	1,594.5
- Exploration and evaluation assets	436.3
- Current payables	(163.6)
- Current provisions	(17.6)
- Non current payables	(46.6)
- Restoration liabilities	(501.1)
- Deferred tax liabilities	(83.8)
- Other non-current provisions	(5.3)
Net assets	1,448.1
Cash consideration	(1,532.0)
Less cash acquired on acquisition	79.0
Net cashflow on acquisition	(1,453.0)

The Statement of Profit or Loss includes acquisition and integration costs incurred during the period of \$50.1 million for both acquisitions. In the full year to 30 June 2018, Lattice and Toyota Tsusho interests acquired contributed \$457 million to group revenues and \$119 million profit to the consolidated profit before tax. Had the acquisition occurred on 1 July 2017 the Lattice and Toyota Tsusho interests acquired would have contributed \$880 million to group revenues and \$233 million profit to the consolidated profit before tax.

Goodwill arising from the acquisition has been recognised as the excess of the consideration paid above the fair value of the assets acquired and liabilities assumed as a part of the business combination. The goodwill is attributable to the deferred tax liability recognised on the acquisition. None of the goodwill recognised is expected to be deductible for tax purposes.

Due to the size and complexity of this acquisition, the acquisition accounting is not yet complete and accordingly the assets acquired and liabilities assumed are measured on a provisional basis. If new information obtained within twelve months from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

OTHER INFORMATION

Additional information required to be disclosed under Australian Accounting Standards.

27. Contingent liabilities

The directors are of the opinion that the recognition of a provision is not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Service agreements

Service agreements exist with other executive officers under which termination benefits may, in appropriate circumstances, become payable. The maximum contingent liability at 30 June 2018 under the service agreements for the other executive officers is \$1,761,500 (2017: \$2,360,437).

Bank guarantees

As at 30 June 2018, Beach has provided \$52.5 million of bank guarantees or letters of credit as security predominantly for our environmental obligations and work programs.

Beach has been provided with a \$75 million letter of credit facility, of which \$48.3 million had been utilised by way of bank guarantees (refer Note 15 for further details on the corporate debt facility) with the remaining \$4.2 million of bank guarantees being provided by an unsecured facility.

Joint Venture Operations

In the ordinary course of business, the Group participates in a number of joint ventures which is a common form of business arrangement designed to share risk and other costs. Failure of the Group's joint venture partners to meet financial and other obligations may have an adverse financial impact on the Group.

Tax obligations

In the ordinary course of business, the Group is subject to audits from government revenue authorities which could result in an amendment to historical tax positions.

Parent Company Guarantees

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

28. Remuneration of auditors

	CONSOLIDATED	
	2018 \$000	2017 \$000
Audit services		
Amounts received or due and receivable by Ernst & Young for:		
- auditing or reviewing the financial statements of the group	768	-
- auditing the financial statements for subsidiaries	115	-
- auditing of joint operation financial statements and royalty returns	62	-
	945	-
Amounts received or due and receivable by KPMG and other firms for:		
- auditing or reviewing the financial statements of the group	100	488
- auditing of joint operation financial statements and royalty returns	59	62
- auditing the financial statements for subsidiaries	23	127
Total audit services	1,127	677
Other services		
Amounts received or due and receivable by KPMG for:		
- tax services Australia	-	22
- tax and other services for overseas subsidiaries	-	88
Amounts received or due and receivable by Ernst & Young for:		
- transaction services for Lattice acquisition before their appointment as auditor	1,360	-
- transaction services for Lattice acquisition after their appointment as auditor	115	-
- other services before their appointment as auditor	51	-
Total other services	1,526	110

29. Subsequent events

There has not arisen in the interval between 30 June 2018 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, unless otherwise noted in the financial report.

INDEPENDENT AUDITOR'S REPORT



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Beach Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



1. Acquisition of Lattice Energy Limited

Why significant

On 1 January 2018 the Group completed the acquisition of Lattice Energy Limited ("Lattice") and Toyota Tsusho ("Toyota") interest in the Otway Gas Project and BassGas project. As disclosed in Note 26 of the financial report, the Group acquired total assets of \$2,266 million, assumed total liabilities of \$818 million and recognised total goodwill of \$84 million.

As at 30 June 2018, as out lined in Note 26, the acquisition accounting balances remains provisional as permitted under Australian Accounting Standards.

The accounting for the acquisition was considered a key audit matter due to the magnitude of the assets acquired and consideration paid and the judgement required by the Group to measure the fair values of the following assets acquired and liabilities assumed:

- ▶ Property, plant and equipment;
- ▶ Petroleum assets;
- ▶ Exploration and evaluation Assets;
- ▶ Restoration liabilities;
- ▶ Contingent liabilities and commitments;
- ▶ Deferred tax assets and liabilities;
- ▶ Stamp duty liabilities; and
- ▶ Working capital balances.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Considered the accounting acquisition date applied with reference to achievement of control over the acquired business interests.
- ▶ Evaluated the Group's determination of the purchase consideration paid with reference to the underlying share sale agreements and cash consideration paid.
- ▶ Evaluated the qualifications, competence and objectivity of external experts used by the Group to determine the fair value of Property Plant and Equipment, Petroleum Assets and Restoration Liabilities.
- ▶ Assessed the fair value of petroleum assets, property, plant and equipment assets and exploration and evaluation assets, with the assistance of our valuation specialists, including:
 - ▶ Considered whether the modelling methodology applied was in accordance with the requirements of Australian Accounting Standards;
 - ▶ Assessed the property plant and equipment valuations for surface assets in accordance with a replacement cost methodology appropriate to the industry;
 - ▶ Performed valuation cross checks on the acquired exploration and evaluation assets with reference to resource multiples;
 - ▶ Assessed the assumptions used by comparing key assumptions such as oil and gas prices, discount rates, inflation rates, and foreign exchange rates to gas sales agreements and external market data, and performed sensitivity analysis using a range of assumptions;
 - ▶ Assessed the operating cost forecasts and capital expenditure forecasts against costs incurred to date and trend analysis.



Why significant

How our audit addressed the key audit matter

- ▶ Assessed restoration provision fair values, with the assistance of our restoration specialists, as follows:
 - ▶ Examined third party restoration cost estimates;
 - ▶ Assessed the cost estimate methodologies adopted and contingency rates included;
 - ▶ Assessed legislative regulatory requirements;
 - ▶ Assessed the discount rate applied with reference to long term bond rates.
- ▶ Involved our taxation specialists in the assessment of the fair value calculations as follows:
 - ▶ Considered the calculation of stamp duty payable on acquisition;
 - ▶ Considered the accounting for the tax effects on the acquisition accounting.
- ▶ Assessed the identification and measurement of acquired contingent liabilities and onerous contracts.
- ▶ Agreed the working capital balances acquired, and corresponding fair value adjustments, to bank statements, invoices, operator statements and information provided by the vendor.



2. Carrying value of petroleum assets

Why significant

At 30 June 2018 the Group had oil and gas petroleum assets of \$2,710 million.

Australian Accounting Standards require the Group to assess throughout the reporting period whether there is any indication that an asset may be impaired. If any indication exists, the Group must estimate the recoverable amount of the asset. At year end, the Group has concluded, based on this assessment, that there were no indicators of impairment or reversal of previous impairment for any of its Cash Generating Units (CGUs). As a result no impairment or reversal of impairment was recognised during the year.

The assessment of indicators of impairment and reversal of impairment is complex and highly judgmental, and includes modelling a range of assumptions and estimates that are affected by expected future performance and market conditions. Accordingly, this matter was considered to be a key audit matter.

Key assumptions, judgements and estimates used in the Group's assessment of impairment and reversal of impairment of non-current assets are set out in the financial report in notes 9 and 12.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Evaluated the assumptions, methodologies and conclusions used by the Group in assessing for indicators of impairment, in particular, those relating to the determination of CGUs, forecast cash flows and inputs used to formulate them. This included assessing, in conjunction with our valuation specialists, the discount rates, foreign exchange rates and commodity prices with reference to market prices (where available), market research, market practice, market indices, broker consensus and historical performance.
- ▶ Used the work of the Group's internal and external experts with respect to the hydrocarbon reserve assumptions used in the cash flow forecasts. This included understanding the reserve estimation processes carried out, and assessing the qualifications, competence and objectivity of the Group's experts, the scope and appropriateness of their work.
- ▶ Analysed cost assumptions against historical performance and the latest approved budgets and forecasts.
- ▶ Considered the Group's market capitalisation.
- ▶ Considered the carrying value of producing assets against recent comparable market transactions and the market value of comparable companies, where available.



3. Impairment assessment of capitalised exploration and evaluation expenditure

Why significant

During the period ended 30 June 2018, the Group recorded an impairment charge of \$87 million in respect of capitalised exploration and evaluation assets, leaving the Group with remaining capitalised exploration and evaluation expenditure of \$479 million at 30 June 2018.

The carrying value of exploration and evaluation assets is impacted by the Group's ability, and intention, to continue to explore its areas of interest. The Group is required to assess whether any indicators of impairment are present.

Given the magnitude of the impairment charge and the complex and judgmental nature of impairment indicator assessments, this was considered a key audit matter.

Disclosure regarding this matter can be found in Note 10 of the financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the Group's definition of area of interest in accordance with Australian Accounting Standards.
- ▶ Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and correspondence with relevant government agencies.
- ▶ Considered the Group's intention to carry out significant exploration and evaluation activities in relevant exploration areas, or plans to transfer the assets to oil & gas properties. This included the review of budgets and enquiries with executive and operational management.
- ▶ Inquired of the Group as to their intention and capacity to continue to explore areas of interest with capitalised expenditure at 30 June 2018.
- ▶ For each area of interest impaired, agreed exploration permit values to the accounting records of the Group.
- ▶ Assessed the Group's ability to finance any planned future exploration and evaluation activity.



Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 42 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Beach Energy Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that appears to be 'AJ' followed by a horizontal line.

Anthony Jones
Partner
Adelaide
20 August 2018

GLOSSARY OF TERMS

A\$ or \$	Australian dollars	Drillsearch	Drillsearch Energy Pty Ltd
1C	Contingent resource low estimate ¹	DTA	Deferred tax assets
2C	Contingent resource best estimate ¹	EBITDA	Earnings before interest, tax, depreciation and amortisation
3C	Contingent resource high estimate ¹	EIP	Executive Incentive Plan
3D	Three dimensional	Entitlement offer	\$301 million 3 for 14 pro-rata accelerated non-renounceable entitlement offer
1P	Proved reserve estimate ¹	EP	Exploration Permit (NT)
2P	Proved and probable reserve estimate ¹	EPS	Earnings per share
3P	Proved, probable and possible reserve estimate ¹	Ex PEL 91	PRLs 151 to 172 and various production licences
AASB	Australian Accounting Standards Board	Ex PEL 92	PRLs 85 to 104 and various production licences
AGM	Annual General Meeting	Ex PEL 104 / 111	PRLs 15, 136 to 150 and various production licences
AOI	Area of interest	Ex PEL 106	PRLs 129 and 130 and various production licences
ASX	Australian Securities Exchange	Ex PEL 513	PRLs 191 and 206 and various production licences
ATP	Authority To Prospect (QLD)	Ex PEL 632	PRLs 131 to 134 and various production licences
BassGas Project	Includes the producing Yolla field, the BassGas pipeline and Lang Lang gas plant as well as separate retention leases over the Trefoil, Rockhopper and White Ibis discoveries	Free cash flow	Operating cash flow less investing cash flow (excluding acquisitions and divestitures)
bbbl	Barrels	FY(18)	Financial year (2018)
Bcf	Billion cubic feet	Genesis Group	Genesis Energy Limited Beach and its subsidiaries
Beach	Beach Energy Limited	GSA	Gas sales agreement
Beach Egypt	Beach Petroleum (Egypt) Pty Ltd	GJ	Gigajoule
Beharra Springs	Beach 67% and operator, Mitsui 33%. Consists of the Beharra Springs, Redback Terrace and Tarantula gas fields and the Beharra Springs gas processing facilities	HBWS	Halladale / Black Watch / Speculant fields in the offshore Otway Basin in licenses VIC/L1(v) and VIC/P42(v)
Benaris assets or interests	Refers to 27.77% of OGP, acquired by Lattice, as announced by Origin on 11 September 2017	H(1) (FY18)	(First) half year period (of FY18)
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	IFRS	International Financial Reporting Standards
Board	Board of Directors of Beach	kbbbl	Thousand barrels of oil
Bridgeport	Bridgeport (Cooper Basin) Pty Ltd	kboe	Thousand barrels of oil equivalent
CAGR	Compounded annual growth rate	km	Kilometre
CGU	Cash generating unit	KMP	Key management personnel
Company	Beach and its subsidiaries	KPI	Key performance indicator
Cooper Energy	Cooper Energy Ltd	kt	Thousand tonnes
Cooper Basin	Includes both Cooper and Eromanga basins	Kupe	Kupe Gas Project. Beach 50% and operator, Genesis 46%, NZOG 4%. Consists of offshore Kupe gas field in the Taranaki Basin, the Kupe offshore platform, Kupe gas plant and associated infrastructure
Cooper Basin JV	The various joint venture interests owned by Beach's wholly owned subsidiaries Delhi and Lattice in the SACB JVs and SWQ JVs	Lattice	Lattice Energy Limited
Delhi	Delhi Petroleum Pty Ltd		

1. Complete definitions for Reserves and Contingent Resources can be sourced from "Guidelines for Application of the Petroleum Resources Management System" November 2011 – better known as SPE PRMS.

GLOSSARY OF TERMS

LNG	Liquefied natural gas	Rockhopper	Rockhopper Exploration plc
LPG	Liquefied petroleum gas	SACB JVs	South Australian Cooper Basin Joint Ventures
LTI	Long term incentive	South Australian Cooper Basin Joint Ventures	The Fixed Factor Area (Beach 33.4%, Santos 66.6%) and the Patchawarra East Block (Beach 27.68%, Santos 72.32%)
Mitsui	Mitsui &Co., Ltd	Santos	Santos Limited
MMbbl	Million barrels of oil	SAWA	South Australia Western Australia reporting segment
MMboe	Million barrels of oil equivalent	Senex	Senex Energy Limited
MMscf	Million standard cubic feet of gas	SGH	Seven Group Holdings Limited
MMscfd	Million standard cubic feet of gas per day	SPE	Society of Petroleum Engineers
Net Gearing	The ratio of net debt/(cash) to the sum of net debt / (cash) and total book equity	STI	Short term incentive
NPAT	Net profit after tax	SWQ JVs	South West Queensland Joint Ventures
NZ	New Zealand	South West Queensland Joint Ventures	Includes the SWQ Gas Unit and exploration and oil production licences – various equity interests (Beach 30-52.2%)
NZOG	New Zealand Oil & Gas Limited	Tcf	Trillion cubic feet
Origin	Origin Energy Ltd	TFR	Total fixed remuneration
OGP	Otway Gas Project. Beach 100% and operator. Consists of offshore gas fields Thylacine and Geographe, the Thylacine Well Head Platform, Otway Gas Plant and associated infrastructure	TJ	Terajoule
PACE	The South Australian Plan for Accelerating Exploration gas grant scheme	TJ/d	Terajoules per day
pcp	Prior corresponding period	Toyota Tsusho	Toyota Tsusho Corporation and related parties
PEL	Petroleum Exploration Licence (SA)	Toyota Tsusho assets or interests	Refers to 5% of OGP and 11.25% of the BassGas Project. Refer Beach's ASX release #098/17 of 21 December 2017 for further information.
PEP	Petroleum Exploration Permit (Victoria and NZ)	TRIFR	Total recordable injury frequency rate
PL	Petroleum Lease (QLD)	TSR	Total shareholder return
PPL	Petroleum Production Licence (SA)	US\$	United States \$
PJ	Petajoule	Waitsia	Beach 50%, Mitsui 50% and operator. The project consists of the Waitsia Gas Project, an interest in the Xyris production facility and other in-field pipelines
PRL	Petroleum Retention Licence (SA)		
PRMS	Petroleum Resources Management System		
PRRT	Petroleum Resource Rent Tax		
Q(1) (FY19)	(First) quarter (FY19)		
ROC	Return on capital		

CORPORATE INFORMATION

Annual meeting

The annual meeting will be held as follows:

Place Adelaide Convention Centre
North Tce, Adelaide SA 5000
Date Friday 23 November 2018
Time 10.30 am

CORPORATE DIRECTORY

Chairman

Glenn Stuart Davis

LLB, BEc, FAICD

Independent non-executive

Deputy Chairman

Colin David Beckett

FIEA, MICE, GAICD

Independent non-executive

Directors

Philip James Bainbridge

BSc (Hons) (Mechanical Engineering), MAICD

Independent non-executive

Joycelyn Cheryl Morton

BEc, FCA, FCPA, FIPA, FCIS, FAICD

Independent non-executive

James David McKerlie

BEc, Dip Fin Mgt, FCA FAICD

Independent non-executive

Peter Stanley Moore

PhD, BSc (Hons), MBA, GAICD

Independent non-executive

Richard Joseph Richards

BComs/Law (Hons), LL.M, MAppFin

Non-executive

Ryan Kerry Stokes

BComm, FAIM

Non-executive

Company Secretary

Peter Kupniewski

LL.B/LP

Registered Office

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Glenside SA 5065

Telephone: (08) 8338 2833

Facsimile: (08) 8338 2336

Email: info@beachenergy.com.au

Share Registry – South Australia

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell St
Adelaide SA 5000

Telephone: (08) 8236 2300

Facsimile: (08) 8236 2305

Auditors

Ernst & Young
Level 12/121 King William Street
Adelaide SA 5000

Securities Exchange Listing

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

Beach Energy Limited

ABN 20 007 617 969

Website

www.beachenergy.com.au