

HALF YEAR REPORT



FOR THE SIX MONTHS ENDED
31 DECEMBER 2018

INCLUDING: APPENDIX 4D DISCLOSURES



CONTENTS

Appendix 4D	2
Directors' Report	3
Auditor's Independence Declaration	11
Half Year Financial Report	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Half Year Consolidated Financial Statements	17
Directors' Declaration	28
Independent Auditor's Review Report	29
Glossary	31

Disclaimer

This report contains forward looking statements that are subject to risk factors associated with oil, gas and related businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

All references to dollars, cents or \$ in this announcement are to Australian currency, unless otherwise stated. References to "Beach" may be references to Beach Energy Limited or its applicable subsidiaries.

References to planned activities in FY19 and beyond FY19 may be subject to finalisation of work programs, government approvals, JV approvals and board approvals.

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

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

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

Share Registry – South Australia

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

Auditors

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

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2018
(RULE 4.2A)

ABN
20 007 617 969

Previous Corresponding Period
31 December 2017

Results for announcement to the market

				\$A million
Revenues from ordinary activities	Increased	169%	to	1,057.2
Net profit from ordinary activities after tax (NPAT) attributable to members	Increased	196%	to	282.9
NPAT for the period attributable to members	Increased	196%	to	282.9
Underlying NPAT*	Increased	199%	to	278.8

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

Dividends	Amount per Security	Franked amount per Security
Fully franked final dividend paid (on 28 September 2018)	1.00 cent	1.00 cent
Fully franked Interim dividend to be paid	1.00 cent	1.00 cent
Record date for determining entitlements to the interim dividend		28 February 2019
Payment date for interim dividend		29 March 2019

This Half Year Report is to be read in conjunction with the 2018 Annual Report.

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	\$0.93	\$0.77

Change in ownership of controlled entities

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

Dividends

	Current Period \$million	Previous Corresponding Period \$million
Ordinary Securities	\$22.7	\$18.8

None of these dividends are foreign sourced.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The directors of Beach Energy Limited (**Beach** or the **Company**) present their report for the half year ended 31 December 2018 and the state of affairs of the Company at that date. The Company's consolidated financial statements for the half year ended 31 December 2018, presented on pages 13–27, form part of this report.

Operating Results, Review of Operations, State of Affairs and Likely Developments

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

KEY RESULTS				
		HY FY19	HY FY18	Change
Operations				
Production	MMboe	15.2	5.2	192%
Sales	MMboe	16.0	5.7	181%
Capital expenditure	\$m	199.4	117.9	(69%)
Income				
Sales revenue	\$m	954.7	385.9	147%
Total revenue	\$m	1,057.2	392.6	169%
Cost of sales	\$m	(603.1)	(235.7)	(156%)
Gross profit	\$m	454.1	156.9	189%
Other income	\$m	17.3	20.8	(17%)
Net profit after tax (NPAT)	\$m	282.9	95.7	196%
Underlying NPAT*	\$m	278.8	93.1	199%
Dividends paid	cps	1.00	1.00	-
Dividends announced	cps	1.00	1.00	-
Basic EPS	cps	12.42	4.63	168%
Underlying EPS*	cps	12.24	4.50	172%
Cash flows				
Operating cash flow	\$m	478.9	174.3	175%
Investing cash flow	\$m	(153.9)	(99.0)	(55%)
Financial position				
		As at 31 December 2018	As at 30 June 2018	Change
Net assets	\$m	2,114.4	1,838.0	15%
Cash balance	\$m	204.2	311.2	(34%)

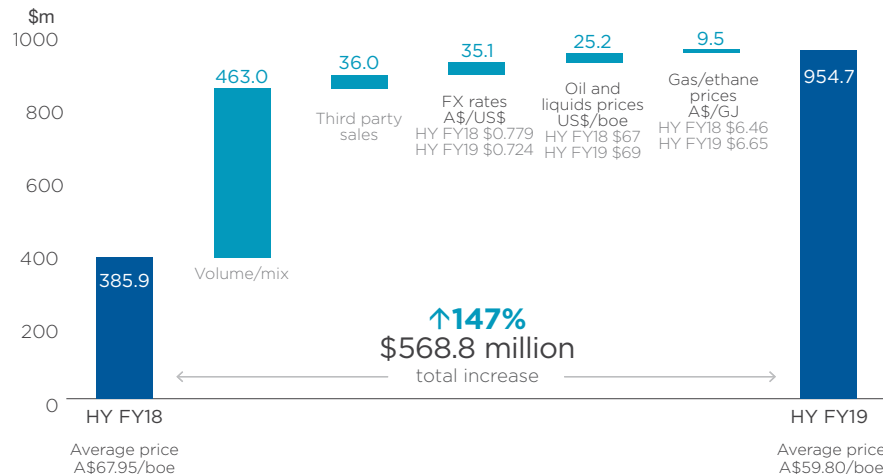
* Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors.

Financial Review

Revenue

Higher oil and gas sales volumes in H1 FY19 driven by the Lattice acquisition, in addition to higher oil and gas prices and a lower average A\$/US\$ exchange rate, contributed to a 147% increase in sales revenue to \$954.7 million (\$385.9 million in H1 FY18). Sales revenue from production increased by \$532.8 million and third party sales increased by \$36.0 million. Sales volumes of 16 MMboe were 181% higher than H1 FY18 due to higher gas production and gas sales volumes driven by the Lattice acquisition and improvements in the underlying performance of the Group's operations. The average realised oil price increased to A\$100/bbl, up A\$12/bbl from H1 FY18, due to a higher US\$ oil price and a lower A\$/US\$ exchange rate. Average price realised per boe was lower in H1 FY19 reflecting a higher proportion of gas sales in the sales mix following the acquisition of Lattice.

Sales Revenue Comparison

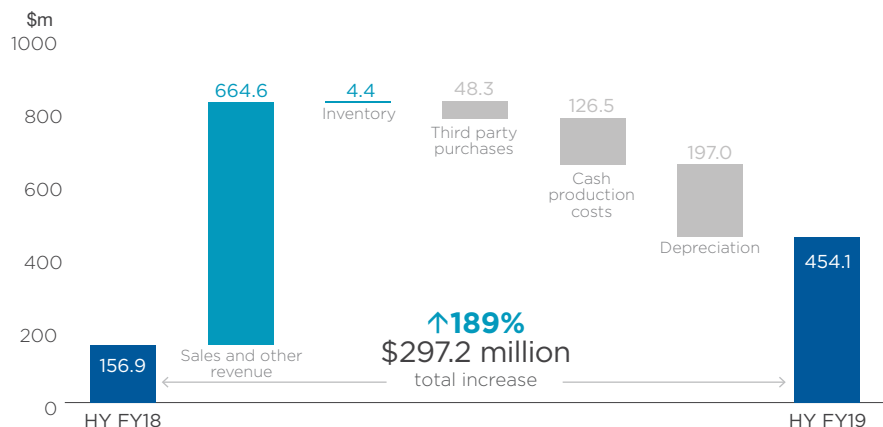


Gross Profit

Gross profit for H1 FY19 of \$454.1 million (H1 FY18 \$156.9 million) was up 189%. This increase in gross profit was primarily due to higher sales and other revenue driven by the Lattice acquisition partly offset by higher total cost of sales which were up 156% from HY FY18 to \$603.1 million.

The increase in cost of sales is principally due to the Lattice acquisition with higher cash production costs (\$126.5 million), higher depreciation and amortisation (\$197.0 million) and higher third party purchases (\$48.3 million) partly offset by a decrease in inventory charges (\$4.4 million). Cash production costs were up \$126.5 million (101%), 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.

Gross Profit Comparison



Financial Review continued

Net Profit Result

Other income of \$17.3 million, down \$3.5 million from H1 FY18, included gains on commodity hedging (\$13.5 million) and foreign exchange gains (\$3.8 million). In the prior period a reversal of restoration provisions (\$14.6 million) and a gain on the sale of investments (\$5.3 million) were recorded.

Other expenses of \$19.7 million were down \$10.1 from H1 FY18 primarily due to the reduction in acquisition and integration costs from \$9.6 million to \$1.4 million.

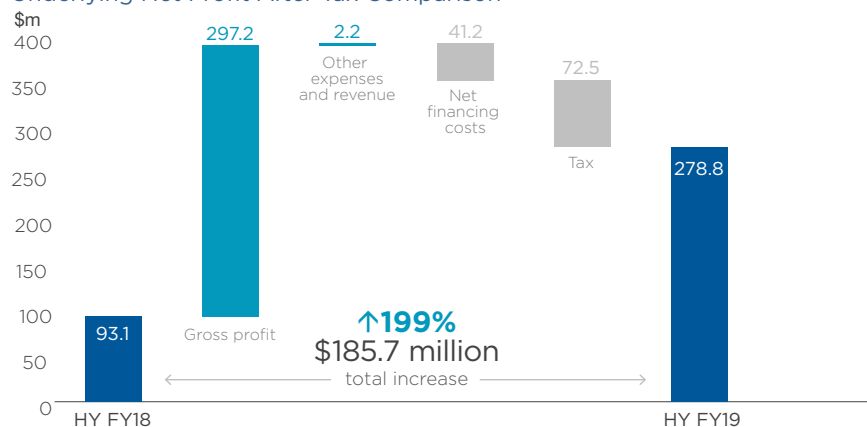
The reported net profit after income tax of \$282.9 million is \$187.2 million higher than H1 FY18, primarily due to higher gross profit driven by the Lattice acquisition.

By adjusting the H1 FY19 profit to exclude acquisition costs, unrealised hedging movements and non-recurring items, Beach's underlying net profit after tax is \$278.8 million.

Comparison of underlying profit	HY FY19 \$ million	HY FY18 \$ million	Movement from PCP \$ million	
Net profit after tax	282.9	95.7	187.2	196%
Adjusted for:				
Acquisition costs and write-off of debt establishment fees	7.7	10.4	(2.7)	
Gain on asset sales	-	(5.3)	5.3	
Unrealised hedging movements	(13.5)	2.6	(16.1)	
Gain on settlement of restoration obligation	-	(14.6)	14.6	
Tax impact of above changes	1.7	0.5	1.2	
Provision for international taxes	-	3.8	(3.8)	
Underlying net profit after tax*	278.8	93.1	185.7	199%

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

Underlying Net Profit After Tax Comparison



Financial Position

Assets

Total assets increased by \$92.9 million to \$4,169.7 million during the period.

Cash balances decreased by \$107.0 million to \$204.2 million, primarily due to:

- Cash flow from operations of \$478.9 million, partly offset by
- Cash flow from financing activities of \$153.9 million,
- Cash flow from investing activities of \$436.8 million.

Receivables decreased by \$17.6 million as a result of lower sales accruals due to lower oil prices at period end. Inventories increased by \$10.9 million. Derivative financial instruments decreased by \$18.7 million due to the settlement of hedging contracts and a decrease in the spot oil price. Other assets increased by \$21.0 million due to the recognition of assets on the Lattice acquisition and an increase in prepaid insurance. Assets held for sale increased by \$373.3 million, with the recognition of Otway assets held for sale partially offset by the sale of the corporate head office building.

Fixed assets, petroleum and exploration assets decreased by \$209.9 million. Capital expenditure of \$199.4 million, purchase price adjustments for the Lattice acquisition of \$179.7 million, increases for restoration of \$63.5 million and foreign exchange movements of \$9.5 million were offset by depreciation and amortisation of \$284.5 million and transfers to assets held for sale of \$377.5 million. Deferred tax assets increased by \$24.5 million. Other non-current assets increased by \$60.2 million due to the recognition of assets on the Lattice acquisition.

Liabilities

Total liabilities decreased by \$183.5 million to \$2,055.3 million, mainly due to a decrease in borrowings of \$404.9 million and a decrease in derivative financial instruments of \$46.6 million partly offset by higher liabilities held for sale of \$162.4 million, the recognition of other liabilities related to the Lattice acquisition of \$129.8 million, a decrease in restoration provisions of \$24.0 million and an increase in tax liabilities of \$6.6 million.

Equity

Total equity increased by \$276.4 million, primarily due to the net profit after tax of \$282.9 million and the clearing of the hedging reserve (\$10.1 million) due to the settlement of hedging contracts during the period, partly offset by the final dividend of \$22.7 million.

Dividends

During H1 FY19, the Directors declared and paid a 1.0 cent per share fully franked final dividend. The Company will also pay a fully franked interim dividend of 1.0 cent per share for the current financial year.

Operations Overview

Production performance, drilling and other activities are summarised below. Further information can be found in Beach's quarterly reports.

Beach reporting segments are:

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

Production

PRODUCTION (NET TO BEACH)						
	H1 FY18	H1 FY19				
	Total Production (MMboe)	Oil (MMbbl)	Gas Liquids (MMboe)	Gas (PJ)	Total Production (MMboe)	Year-on-year change (%)
Western Flank Oil	2.3	2.4	–	–	2.4	4%
Western Flank Gas	0.6	–	0.4	3.7	1.0	55%
Cooper Basin JV	2.2	0.8	0.5	16.5	4.1	90%
Other Cooper Basin	0.1	0.1	0.0	0.2	0.1	(6%)
Perth Basin	NA	–	0.0	2.2	0.4	NM
SA/WA	5.2	3.2	0.9	22.5	8.0	54%
Otway Basin	NA	–	0.6	24.3	4.8	NM
Bass Basin	NA	–	0.2	4.1	0.9	NM
Victoria	NA	–	0.8	28.4	5.7	NM
New Zealand	NA	–	0.5	6.2	1.5	NM
Total Production	5.2	3.2	2.2	57.2	15.2	193%

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

SAWA

Western Flank Oil

Western Flank oil operations accounted for 16% of Beach's H1 FY19 production and the majority of Beach's H1 FY19 oil production. Producing permit areas are 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).

Beach participated in 19 Western Flank oil wells in the first half of FY19; five exploration wells, six appraisal wells and eight development wells. The overall Western Flank oil drilling success rate was 74%.

Western Flank oil production was 2.4 MMbbl, 4% higher than the prior half year largely as a result of the successful Bauer Field appraisal and development program.

Beach successfully completed the H1 FY19 Bauer oil field limit appraisal and development campaign, which comprised four field limit appraisal wells (Bauer Northeast, Northwest, Southeast and Southwest), two vertical development wells (Bauer-27 and -28), and four horizontal development wells (Bauer-29, -30, -31, -32).

Five wells were brought online during H1 FY19, two vertical Bauer wells, Bauer-27 and -28, and later in the half, three Bauer horizontal wells (Bauer-29, -30, -31). Bauer-29 is on artificial lift which increased production from a free flow rate of 750 bopd to an initial pumped rate of 1,000 bopd to a current rate of over 1,300 bopd. While Bauer-30, -31 and -32 came online free flowing at initial rates ranging from 400 to 1,000 bopd. The average spud-to-online time for the four horizontal wells was just 23.5 days.

Western Flank Gas

Western Flank gas operations accounted for 6% of Beach's H1 FY19 production. Producing permit areas are ex PEL 106 (Beach 100%), ex PEL 91 (Beach 100%) and the Udacha Block (Beach 100%).

Beach participated in one Western Flank gas well in H1 FY19, the successful exploration well, Webb-1.

Western Flank gas production was 1.0 MMboe, a 55% increase over the prior half year largely as a result of the commissioning of the latest Middleton facility capacity expansion.

The new Western Flank gas export line was commissioned on 30 June 2018 and gas began being exported via the line into the Santos network on 1 July 2018. The new gas line has allowed Western Flank raw gas production to increase to between 35 – 38 MMscfd.

Beach executed a GSA with Liberty Primary Steel in the December quarter, and now has GSAs with Adelaide Brighton, Alinta Energy and Liberty to supply Western Flank gas in 2019. Under these agreements, Beach's expected 2019 Western Flank sales gas production is fully contracted at prices reflective of current market conditions.

Cooper Basin JV

Cooper Basin JV interests comprise non-operated interests in the South Australian Cooper Basin joint ventures (SACB JV) (collectively 33.40% in SA Unit and 27.68% in Patchawarra East) and the South West Queensland joint ventures (SWQ JV) (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.

The Cooper Basin JV accounted for 27% of Beach's H1 FY19 production and was up 90% over the prior corresponding period. Net gas and gas liquids production of 3.4 MMboe was up from 1.8 MMboe in the prior corresponding period (+82%). Net oil production of 0.8 MMbbl was up from 0.3 MMbbl in the prior corresponding period (+140%). 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.

With a third drill rig operating for the entire H1 FY19 period and fourth drill rig operating from August 2018, Beach participated in 48 Cooper Basin JV wells at an overall success rate of 85%. Highlights included:

- 18 successes from 19 gas development wells drilled across the Moomba, Namur, Big Lake, Moorari, Bagundi and Kidman fields in the SA Cooper Basin.
- Six of eight planned Moomba South gas appraisal wells completed to the end of December. The program is targeting a large unexploited gas contingent resource in the Patchawarra reservoirs on the southern flanks of the Moomba high.
- 100% gas exploration success rate with discoveries at Anna North-1, Aztec-1, Bearcat-1, Lane-1, Lois-1 and Tillamook-1 in Southwest Queensland.
- Oil discoveries at Wallis-1 and Steggle-1 and appraisal success at Cooroo North West-2 and Jarrar-4 and -5 all in Southwest Queensland.

Other Cooper Basin

Other Cooper Basin producing permit areas comprise ATP 299 (Tintaburra) (Beach 40%, Santos 60% and operator), ex PEL 513/632 (Beach 40%, Santos 60% and operator) and PRL 135 (Vanessa) (Beach 43%, Senex 57% and operator). Production was 0.1 MMboe, down 6% from the prior half year. Other Cooper Basin accounted for 1% of Beach's total production.

South Australia Otway Basin

South Australia Otway Basin includes permits PPL 62 (Beach 100%) and PEL 494 (Beach 70% and operator, Cooper Energy 30%). No production was recorded in the South Australian Otway Basin in H1 FY19.

Beach contracted the Ensign 931 rig to undertake the Onshore Otway drilling program.

Perth Basin

Perth Basin operations accounted for 2% of Beach's H1 FY19 production. Producing permit areas are Waitsia (Beach 50%, Mitsui 50% and operator) and Beharra Springs (Beach 67% and operator, Mitsui 33%). Previous corresponding period comparison is not available since Beach consolidated these interests from 1 January 2018.

Perth Basin net production was 0.4 MMboe.

Beach and joint venture partner Mitsui, continued to progress options for development of the Waitsia discovery and progressed plans for the Beharra Springs Deep exploration well.

Victoria

Otway Basin

Otway Basin operations accounted for 31% of Beach's H1 FY19 production. Producing licence areas comprise HBWS (Beach 100%) and OGP (Beach 100%). Previous corresponding period comparison is not available since Beach consolidated 100% of HBWS and OGP from 1 January 2018.

Otway Basin production was 4.8 MMboe.

During the half Beach announced it had entered into an agreement to sell 40% of its Victorian Otway interests to O.G. Energy (for additional information refer to Corporate and Commercial section of this report and ASX announcement Ref: #047/18). Completion conditions are expected to be met by the end of Q3 FY19. Following completion, Beach will hold a 60% interest and remain as operator of its Victorian Otway interests.

Beach progressed Otway Basin exploration and development plans, reaching agreement with Diamond Offshore for the contracting of the offshore semi-submersible rig Ocean Onyx to undertake Beach's Victorian Otway offshore drilling program expected to commence in FY20.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Bass Basin

Bass Basin operations, which comprise the BassGas Project, accounted for 6% of Beach's H1 FY19 production. Previous corresponding period comparison is not available since Beach consolidated these interests from 1 January 2018.

Bass Basin production was 0.9 MMboe.

During the first half, Beach continued to progress the evaluation of a potential tieback of the Trefoil Field.

New Zealand

Taranaki Basin

Taranaki Basin operations, which comprise Kupe (Beach 50% and operator, Genesis 46%, New Zealand Oil & Gas 4%), accounted for 10% of Beach's H1 FY19 production. Previous corresponding period comparison is not available since Beach consolidated these interests from 1 January 2018.

Kupe production was 1.5 MMboe.

Beach has commenced Front End Engineering and Design (FEED) on the Kupe compression project. The compression project is expected to extend the current production plateau, over which time production performance will be monitored to determine the requirement or otherwise for an additional production well.

Drilling Results

Drilling Results - H1 FY19

Basin	Category	Wells	Successes	Success Rate
Cooper/Eromanga	Oil - Exploration	12	4	33%
	Oil - Appraisal	8	5	63%
	Oil - Development	9	9	100%
	Gas - Exploration	7	7	100%
	Gas - Appraisal	13	11	85%
	Gas - Development	19	18	95%
	Total Wells	68	54	79%
	All Exploration Wells	19	11	58%
	All Appraisal Wells	21	16	76%
	All Development Wells	28	27	96%

Success defined as wells that are cased and suspended as future producers or injectors

Corporate and Commercial

Beach to sell 40% interest in Victorian Otway assets

On 5 October 2018, Beach and O.G. Energy Holdings Ltd. entered into an agreement whereby O.G. Energy will acquire 40% of Beach's Victorian Otway assets for \$344 million in cash.

The sale will be effective from 1 July 2018.

Transaction completion is progressing, with O.G. Energy having received Foreign Investment Review Board (FIRB) approval for the proposed transaction in December 2018. Remaining completion conditions are expected to be met by the end of Q3 FY19. Following transaction completion, Beach will hold a 60% interest and remain as operator of its Victorian Otway interests, which includes its Geographe, Thylacine, Halladale, Speculant and Black Watch gas fields, Enterprise and Artisan exploration prospects and the Otway Gas Plant.

WA-359-P co-ordination agreement

In 2017 Beach entered a farm-in agreement with Cue Energy to acquire a 21% interest in WA-359-P. During the period, satisfaction of conditions precedent progressed.

Cue Energy entered into a farm-in agreement with New Zealand Oil & Gas (NZOG), whereby NZOG will acquire a 15% participating interest in WA-359-P and fund 17.85% of the well cost.

BP Developments Australia (BP), Beach, NZOG and Cue Energy have entered into an Assignment and Joint Venture Coordination Agreement to co-ordinate each company's farm-in agreements and to agree an interim work program and budget which allows BP to undertake preliminary well planning activities for the proposed Ironbark-1 well on behalf of the parties.

The remaining conditions precedent to Beach's farm-in include: regulatory approvals for registration and title transfer and submission and approval of extension of the permit to allow sufficient time for the joint venture to plan and drill the Ironbark-1 well.

Subject to closing of the transaction, Beach will fund 25% of the well cost to earn 21% interest.

Following completion ownership interests in WA-359-P will be: BP 42.5%, Cue 21.5%, Beach 21% and NZOG 15%.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

FY19 Full Year Outlook

At the September 2018 investor day, Beach outlined a clear strategy to increase shareholder value, with five year targets¹ of:

- Production growing to 30 – 36 MMboe
- >100% reserves replacement
- ROCE 17 – 20%
- >\$2.6 billion in cumulative free cash flow

During the second half of FY19, Beach plans to continue to execute its strategy to deliver on the targets outlined at the investor day.

Directors

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

Glenn Stuart Davis

INDEPENDENT NON-EXECUTIVE CHAIRMAN

LLB, BEc, FAICD

Colin David Beckett

INDEPENDENT NON-EXECUTIVE DIRECTOR AND DEPUTY CHAIRMAN

FIEA, MICE, GAICD

Philip James Bainbridge

INDEPENDENT NON-EXECUTIVE DIRECTOR

BSc (Hons)(Mechanical Engineering), MAICD

Ryan Kerry Stokes

NON-EXECUTIVE DIRECTOR

BComm, FAIM

Richard Joseph Richards

NON-EXECUTIVE DIRECTOR

BComm/Law (Hons), LLM, MAppFin

Peter Stanley Moore

INDEPENDENT NON-EXECUTIVE DIRECTOR

PhD, BSc (Hons), MBA, GAICD

Joycelyn Cheryl Morton

INDEPENDENT NON-EXECUTIVE DIRECTOR

BEc, FCA, FCPA, FIPA, FCIS, FAICD

James David McKerlie (retired 23 November 2018)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BEc, Dip Fin Mgt, FCA, FAICD

Rounding Off Of Amounts

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

Events Occurring After The Balance Date

There has not been in the period since 31 December 2018 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, Ernst & Young, to provide the directors of Beach with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is made on page 11 and forms part of this Directors' Report.

Dated at Adelaide this 13th day of February 2019 and signed in accordance with a resolution of the directors.



G S Davis

Chairman

¹ References to five year targets refers to those targets listed in the 2018 Asia Roadshow presentation (refer ASX Release #049/18 dated 8 October 2018) and are presented on the basis the sale of a 40% interest in the Otway Basin is completed.

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 review of Beach Energy Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

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
13 February 2019

HALF YEAR FINANCIAL REPORT

OF BEACH ENERGY LIMITED AND CONTROLLED ENTITIES
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

		CONSOLIDATED	
	Note	Dec 2018 \$million	Dec 2017 \$million
Revenue	3(a)	1,057.2	392.6
Cost of sales	4(a)	(603.1)	(235.7)
Gross profit		454.1	156.9
Other income	3(b)	17.3	20.8
Other expenses	4(b)	(19.7)	(29.8)
Operating profit before net financing costs		451.7	147.9
Interest income	4(c)	2.4	4.6
Finance expenses	4(c)	(54.2)	(9.8)
Profit before income tax expense		399.9	142.7
Income tax expense	5	(117.0)	(47.0)
Net profit after income tax expense		282.9	95.7
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Net change in hedging reserve		14.4	-
Net gain on translation of foreign operations		4.3	-
Tax effect relating to components of other comprehensive income		(4.3)	-
Other comprehensive income net of tax		14.4	-
Total comprehensive income after tax		297.3	95.7
Basic earnings per share (cents per share)	17	12.42	4.63
Diluted earnings per share (cents per share)	17	12.39	4.61

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		CONSOLIDATED	
	Note	Dec 2018 \$million	June 2018 \$million
Current assets			
Cash and cash equivalents		204.2	311.2
Receivables		255.9	273.5
Inventories		105.3	94.4
Derivative financial instruments		0.3	19.0
Other		25.9	4.9
Assets held for sale	18	377.5	21.2
Total current assets		969.1	724.2
Non-current assets			
Property, plant and equipment	8	23.1	5.5
Petroleum assets	9	2,537.0	2,710.2
Exploration and evaluation assets	10	424.6	478.9
Goodwill	19	57.1	83.9
Deferred tax assets		93.3	68.8
Other		65.5	5.3
Total non-current assets		3,200.6	3,352.6
Total assets		4,169.7	4,076.8
Current liabilities			
Payables		291.4	293.3
Provisions		48.4	39.6
Current tax liabilities		107.4	100.2
Derivative financial instruments		0.4	47.0
Other		63.3	-
Liabilities held for sale	18	165.0	2.6
Total current liabilities		675.9	482.7
Non-current liabilities			
Payables		17.8	17.8
Provisions		729.1	766.8
Deferred tax liabilities		45.2	45.8
Borrowings		520.8	925.7
Other		66.5	-
Total non-current liabilities		1,379.4	1,756.1
Total liabilities		2,055.3	2,238.8
Net assets		2,114.4	1,838.0
Equity			
Issued capital	7	1,860.0	1,859.1
Reserves		202.9	210.3
Retained earnings / (accumulated losses)		51.5	(231.4)
Total equity		2,114.4	1,838.0

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

For the half year ended 31 December 2018	Note	Contributed equity \$million	Retained earnings/ (accumulated losses) \$million	Share based payment reserve \$million	Available for sale reserve \$million	Foreign currency translation reserve \$million	Profit distribution reserve \$million	Hedging reserve \$million	Total \$million
Balance as at 1 July 2018		1,859.1	(231.4)	30.6	-	17.4	172.4	(10.1)	1,838.0
Profit for the year		-	282.9	-	-	-	-	-	282.9
Other comprehensive income		-	-	-	-	4.3	-	10.1	14.4
Total comprehensive income/(loss) for the year		-	282.9	-	-	4.3	-	10.1	297.3
Transactions with owners in their capacity as owners:									
Shares issued during the year	7	0.9	-	-	-	-	-	-	0.9
Final dividend paid from profit distribution reserve	6	-	-	-	-	-	(22.7)	-	(22.7)
Increase in share based payments reserve		-	-	0.9	-	-	-	-	0.9
Transactions with owners		0.9	-	0.9	-	-	(22.7)	-	(20.9)
Balance as at 31 December 2018		1,860.0	51.5	31.5	-	21.7	149.7	-	2,114.4

For the half year ended 31 December 2017		Contributed equity \$million	Retained earnings/ (accumulated losses) \$million	Share based payment reserve \$million	Available for sale reserve \$million	Foreign currency translation reserve \$million	Profit distribution reserve \$million	Hedging reserve \$million	Total \$million
Balance as at 1 July 2017		1,558.5	(388.7)	29.1	14.9	15.8	172.4	-	1,402.0
Profit for the year		-	95.7	-	-	-	-	-	95.7
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year		-	95.7	-	-	-	-	-	95.7
Transactions with owners in their capacity as owners:									
Rights issue during the year		301.1	-	-	-	-	-	-	301.1
Equity raising costs (net of tax)		(3.1)	-	-	-	-	-	-	(3.1)
Other shares issued during the year		0.9	-	-	-	-	-	-	0.9
Final dividend paid		-	(18.8)	-	-	-	-	-	(18.8)
Sale of available for sale financial assets		-	-	-	(14.9)	-	-	-	(14.9)
Increase in share based payments reserve		-	-	0.8	-	-	-	-	0.8
Transactions with owners		298.9	(18.8)	0.8	(14.9)	-	-	-	266.0
Balance as at 31 December 2017		1,857.4	(311.8)	29.9	-	15.8	172.4	-	1,763.7

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED	
	Dec 2018 \$million	Dec 2017 \$million
Cash flows from operating activities		
Receipts from oil and gas operations	1,081.6	359.1
Payments to suppliers and employees	(468.0)	(188.0)
Payments for restoration	(2.6)	(0.6)
Interest received	2.7	5.4
Financing costs	(24.0)	(2.9)
Derivative payments	(16.2)	-
Income tax paid	(111.0)	(6.1)
Other receipts	16.4	7.4
Net cash provided by operating activities	478.9	174.3
Cash flows from investing activities		
Proceeds from sale of non-current assets	21.1	1.7
Proceeds from sale of investments	-	32.5
Proceeds received for future restoration liabilities	11.3	-
Payments for property, plant and equipment	(57.5)	(10.6)
Payments for subsurface assets	(90.5)	(78.2)
Payments for exploration	(38.3)	(50.9)
Proceeds from government grant	-	6.6
Deposit received for sale of joint venture interests	-	0.9
Deposit paid for acquisition of joint venture interests	-	(1.0)
Net cash used by investing activities	(153.9)	(99.0)
Cash flows from financing activities		
Proceeds from issue of shares	-	301.1
Costs associated with issue of shares	-	(4.3)
Proceeds from employee incentive loans	0.9	0.8
Repayment of debt	(415.0)	(150.0)
Dividends paid	(22.7)	(18.8)
Net cash (used)/provided by financing activities	(436.8)	128.8
Net increase/(decrease) in cash held	(111.8)	204.1
Cash at the beginning of the half year	311.2	348.0
Effect of exchange rate changes on the balances of cash held in foreign currencies	4.8	0.1
Cash at the end of the half year	204.2	552.2

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

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Note 1 Reporting Entity

Beach Energy Limited (**Beach** or the **Company**) is a company domiciled in Australia. The Half Year Financial Report of the Company for the six months ended 31 December 2018 comprises the Company and its controlled entities (together referred to as the **Group**).

The 2018 Annual Report is available upon request from the Company's registered office at 25 Conyngham Street, Glenside, 5065 South Australia or at www.beachenergy.com.au.

Note 2 Basis of Preparation of Half Year Financial Report

The Half Year Financial Report for the six months ended 31 December 2018 is a general purpose report prepared in accordance with Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. It is intended to provide users with an update on the latest annual financial statements of the Group and as such they do not include full disclosures of the type normally included in the annual report. It is recommended that they be read in conjunction with the 2018 Annual Report and any public announcements made by Beach during the half year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The Half Year Financial Report for the six months ended 31 December 2018 has been prepared in accordance with the accounting policies adopted in the 2018 Annual Report and have been consistently applied by the entities in the Group except for those that have arisen as a result of new standards, amendments to standards and interpretations effective from 1 July 2018. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

AASB 15 Revenue from Contracts with Customers (AASB 15)

AASB 15 has been adopted from 1 July 2018 and provides a new basis for recognising revenue earned from a contract with a customer. AASB 15 replaces *AASB 118 Revenue*, *AASB 111 Construction Contracts* and several revenue related Interpretations. The Group undertook a detailed review of its revenue contracts and whilst AASB 15 has resulted in some changes in accounting policy and adjustments to amounts recognised in the half-year consolidated financial statements concluded that there were no adjustments required to net profit or opening retained earnings on transition as the amounts were not material.

The Group has elected to change from the "entitlements method" to the "sales method" of accounting for sales revenue. Previously under the entitlements method, sales revenue was recognised on the basis of the Group's interest in a producing field. Under the sales method, revenue will be recognised based on volumes sold under contracts with customers, at the point in time where performance obligations are considered met. Generally, regarding the sale of hydrocarbon products, the performance obligation will be met when the product is delivered to the specified measurement point (gas) or point of loading/unloading (liquids).

Under AASB 15, the subsequent measurement of provisionally priced sales is not revenue from customers and has been recognised as other sales revenue. Comparatives for the previous reporting period have been restated.

Accounting policy for revenue

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 based on volumes sold under contracts with customers, at the point in time where performance obligations are considered met. Generally, regarding the sale of hydrocarbon products, the performance obligation will be met when the product is delivered to the specified measurement point (gas) or point of loading/unloading (liquids). The subsequent measurement of provisionally priced sales is not revenue from customers and is recognised as other sales revenue. 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.

AASB 9 Financial instruments (AASB 9)

AASB 9 has been adopted from 1 July 2018. It addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets and replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses. The credit risk for the Group's financial assets has been assessed as low based on the credit standing of its customers and joint venture partners and historic recovery rates. Based on the assessment, no 1 July 2018 opening retained earnings adjustment was required on adoption.

A number of other new standards are effective from 1 July 2018 but they also do not have a material impact on the Group's Half Year Financial Report.

The Half Year Financial Report for the six months ended 31 December 2018 was approved and authorised for issue by the Board of directors on 13 February 2019.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED	
	Dec 2018 \$million	Dec 2017 \$million
Note 3 Revenue and other Income		
(a) Revenue		
Crude oil ⁽¹⁾	363.1	209.0
Sales gas and ethane	393.8	79.4
Liquefied petroleum gas	95.9	26.2
Condensate	112.9	26.9
Gas and gas liquids	602.6	132.5
Revenue from contracts with customers	965.7	341.5
Crude oil – revaluation of provisionally priced sales	(11.0)	44.4
Sale Revenue	954.7	385.9
Other revenue		
– other operating revenue	102.5	6.7
Total revenue	1,057.2	392.6

(1) Inclusive of realised hedge settlements and premiums paid of \$16.2 million (Dec 2017: \$nil).

(b) Other income

– gain on sale of non-current assets	-	0.7
– gain on sale of investments	-	5.3
– gain on revision of restoration provision	-	14.6
– gain on commodity hedging	13.5	-
– foreign exchange gains	3.8	0.2
Total other income	17.3	20.8

Note 4 Expenses

(a) Cost of sales

– operating costs	176.9	91.5
– royalties	74.7	33.6
Total cash production costs	251.6	125.1
– depreciation and amortisation	283.6	86.6
– third party oil and gas purchases	70.3	22.0
– change in inventories	(2.4)	2.0
Total cost of sales	603.1	235.7

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED

Dec 2018
\$million

Dec 2017
\$million

Note 4 Expenses (Continued)

(b) Other expenses

- net employee benefits expense	15.1	11.5
- corporate development costs	0.7	1.8
- acquisition and integration costs	1.4	9.6
- loss on sale of non-current assets	0.1	-
- loss on commodity hedging	-	2.6
- depreciation of property, plant and equipment	0.9	1.0
- corporate costs	1.5	3.3
Total other expenses	19.7	29.8

(c) Net financing expenses

- borrowing costs	26.9	4.7
- discount unwinding on net present value assets and liabilities	27.3	5.1
Total finance expenses	54.2	9.8
- interest income	(2.4)	(4.6)
Net financing expenses	51.8	5.2

Note 5 Income Tax

(a) Reconciliation of income tax expense/(benefit) calculated on operating profit to income tax charged in the statement of profit or loss

Operating profit	399.9	142.7
Income tax expense calculated at 30 cents in the dollar	120.0	42.8
Adjustment to income tax expense due to:		
- share based payments	0.3	0.2
- prior year under/(over) provision	(2.5)	3.2
- sale of investments	-	(1.6)
- derecognised capital losses	-	2.3
- international tax losses not recognised	-	0.1
- difference in tax rate	(0.8)	-
Income tax expense	117.0	47.0

(b) Reconciliation of income tax expense/(benefit) calculated on net profit to income tax charged in the statement of profit or loss

Current tax	118.3	19.8
Deferred tax	(1.3)	27.2
Income tax expense	117.0	47.0

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED	
	Dec 2018 \$million	Dec 2017 \$million
Note 6 Dividends		
Final dividend of 1.0 cent per fully paid ordinary paid on 28 September 2018.	22.7	-
Final dividend of 1.0 cent per fully paid ordinary paid on 29 September 2017.	-	18.8
	22.7	18.8

	Dec 2018 \$million	Jun 2018 \$million
Note 7 Equity Securities Issued		
(a) Movement in share capital		
Balance at beginning of period	1,859.1	1,558.5
Shares issued on equity raising (net of costs)	-	297.3
Repayment of employee loans and sale of employee shares	0.9	3.3
Balance at end of period	1,860.0	1,859.1

	Number	Number
(b) Movement in fully paid ordinary shares		
Balance at beginning of period	2,276,570,218	1,873,812,484
Rights issue (3 for 14 pro-rata entitlement offer)	-	401,543,843
Shares issued on vesting of unlisted performance and CEO rights	1,678,886	1,213,891
Balance at end of period	2,278,249,104	2,276,570,218

(c) Movement in unlisted Long Term Incentive Rights		
Balance at beginning of period	6,623,901	6,820,796
Issued during the period	2,766,860	4,114,642
Converted to shares on vesting	(1,678,886)	(1,213,891)
Cancelled during the period	-	(3,097,646)
Balance at end of period	7,711,875	6,623,901

Employee Rights

During the period, Beach issued 437,928 unlisted rights pursuant to the Executive Incentive Plan for the 2017 short term incentive offer. 218,962 of the unlisted performance rights vest on 1 July 2019 and 218,966 vest on 1 July 2020 subject to the holder of the rights remaining employed with Beach on the vesting dates. Beach also issued 2,328,932 Long Term Incentive unlisted rights under the Executive Incentive plan. These rights, which expire on 30 November 2023, are exercisable for nil consideration and are not exercisable before 1 December 2021. Further details of the Executive Incentive Plan are detailed in the 2018 Annual Report.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED

Dec 2018
\$million

Jun 2018
\$million

Note 8 Property, Plant and Equipment

Balance at beginning of period	5.5	3.8
Additions	18.5	3.4
Reclassification to assets held for sale	-	(0.2)
Depreciation expense	(0.9)	(1.5)
Balance at end of period	23.1	5.5

Note 9 Petroleum Assets

Balance at beginning of period	2,710.2	959.8
Additions	148.7	207.9
Acquisition of subsidiaries and joint operation interests ⁽¹⁾	181.0	1,594.5
Depreciation expense	(283.6)	(312.6)
Increase in restoration	56.2	28.0
Transfer from exploration and evaluation expenditure	-	232.1
Reclassification to assets held for sale	(285.0)	-
Foreign exchange movement	9.5	0.5
Balance at end of period	2,537.0	2,710.2

Note 10 Exploration and Evaluation Assets

Balance at beginning of period	478.9	255.2
Additions	32.2	77.2
Increase in restoration	7.3	29.4
Acquisition of subsidiaries and joint operation interests ⁽¹⁾	(1.3)	436.3
Transfer to petroleum assets	-	(232.1)
Impairment of exploration and evaluation expenditure	-	(87.1)
Reclassification to assets held for sale	(92.5)	-
Balance at end of period	424.6	478.9

(1) Acquisitions of petroleum and exploration assets represent adjustments made in the current period to the provisional purchase price accounting for the acquisition of the Lattice and Toyota interests in the previous financial year as detailed in note 19.

Note 11 Finances and Borrowings

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 was 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). During the period, Beach voluntarily prepaid and cancelled the Facility A commitment of \$475 million.

As at 31 December 2018, \$475 million of Facility B was drawn, \$60 million of Facility C was drawn with \$390 million remaining undrawn, and \$62.5 million of Facility D being utilised by way of bank guarantees. Subsequent to 31 December 2018, the \$60 million drawn under Facility C has been repaid with Facility C now remaining fully undrawn.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Note 12 Segment Information

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 six month period ended 31 December 2018 and 31 December 2017 are set out below.

	SAWA		VICTORIA		NEW ZEALAND		TOTAL	
	31 Dec 2018 \$million	31 Dec 2017 \$million	31 Dec 2018 \$million	31 Dec 2017 \$million	31 Dec 2018 \$million	31 Dec 2017 \$million	31 Dec 2018 \$million	31 Dec 2017 \$million
Segment revenue								
Sales revenue	621.8	385.9	253.3	-	79.6	-	954.7	385.9
Segment results								
Gross segment result before depreciation, amortisation and impairment	374.0	237.1	204.0	(0.3)	57.2	-	635.2	236.8
Depreciation and amortisation	(129.1)	(86.6)	(145.3)	-	(9.2)	-	(283.6)	(86.6)
	244.9	150.5	58.7	(0.3)	48.0	-	351.6	150.2
Other revenue							102.5	6.7
Other income							17.3	20.8
Net financing costs							(51.8)	(5.2)
Other expenses							(19.7)	(29.8)
Profit/(loss) before tax							399.9	142.7
Income tax expense							(117.0)	(47.0)
Net profit/(loss) after tax							282.9	95.7

Details of the assets and liabilities of each of these operating segments for the period ended 31 December 2018 and 30 June 2018 are set out below.

	SAWA		VICTORIA		NEW ZEALAND		TOTAL	
	31 Dec 2018 \$million	30 Jun 2018 \$million	31 Dec 2018 \$million	30 Jun 2018 \$million	31 Dec 2018 \$million	30 Jun 2018 \$million	31 Dec 2018 \$million	30 Jun 2018 \$million
Segment assets	2,214.3	2,124.6	1,006.1	1,073.4	318.8	276.1	3,539.2	3,474.1
Total corporate and unallocated assets							630.5	602.7
Total consolidated assets							4,169.7	4,076.8
Segment liabilities	478.1	459.0	507.4	330.0	116.2	111.4	1,101.7	900.4
Total corporate and unallocated liabilities							953.6	1,338.4
Total consolidated liabilities							2,055.3	2,238.8

Note 13 Critical Accounting Estimates & Judgements

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

In preparing this Half Year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2018.

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. These estimates can largely be classified as Class 4 based on the engineering scope of works completed in relation to the future abandonment of these permits although there are some estimates related to certain permits that would be classified as Class 2 where more detailed engineering works have been completed and therefore have a lower level of uncertainty. Estimates may also include a contingency amount appropriate to the Class level and engineering scope of works completed for that asset.

Note 14 Financial Risk Management

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

Fair Values

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

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

Note 14 Financial Risk Management (Continued)

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

	CARRYING AMOUNT							
	FAIR VALUE - DERIVATIVES		LOANS AND RECEIVABLES		OTHER FINANCIAL ASSETS/LIABILITIES		TOTAL	
	Dec 2018 \$million	Jun 2018 \$million	Dec 2018 \$million	Jun 2018 \$million	Dec 2018 \$million	Jun 2018 \$million	Dec 2018 \$million	Jun 2018 \$million
Financial assets								
Measured at fair value								
Derivatives	0.3	19.0	-	-	-	-	0.3	19.0
	0.3	19.0	-	-	-	-	0.3	19.0
Not measured at fair value								
Cash	-	-	-	-	204.2	311.2	204.2	311.2
Receivables	-	-	255.9	273.5	-	-	255.9	273.5
Other	-	-	-	-	17.0	10.2	17.0	10.2
	-	-	255.9	273.5	221.2	321.4	477.1	594.9
Financial liabilities								
Measured at fair value								
Derivatives	0.4	47.0	-	-	-	-	0.4	47.0
	0.4	47.0	-	-	-	-	0.4	47.0
Not measured at fair value								
Payables	-	-	-	-	309.2	311.1	309.2	311.1
Interest bearing liabilities	-	-	-	-	535.0	950.0	535.0	950.0
	-	-	-	-	844.2	1,261.1	844.2	1,261.1

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.

Note 14 Financial Risk Management (Continued)

Derivative financial instruments

Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are recognised at fair value using valuation techniques that maximise the use of observable market data where it is available with any gain or loss on re-measurement to fair value being recognised through the profit or loss. The Group's derivatives are not traded in active markets, however all significant inputs required to fair value an instrument are observable (Level 2).

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2018 and there have been no transfers between the levels of the fair value hierarchy during the half year to 31 December 2018.

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

Note 15 Contingent Liabilities

There has been no material change to the contingent liabilities since 30 June 2018.

Note 16 Commitments

Since 30 June 2018, the Group has entered into new capital commitments of approximately \$65 million in relation to planned drilling activities. There has been no material change to other commitments since 30 June 2018.

Note 17 Earnings Per Share

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

	Dec 2018 \$million	Dec 2017 \$million
Basic earnings per share	282.9	95.7
Diluted earnings per share	282.9	95.7

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

	Dec 2018 Number	Dec 2017 Number
Basic earnings per share	2,277,200,173	2,067,383,655
Diluted earnings per share	2,282,204,689	2,073,830,957

Note 18 Disposal Group Held For Sale

In October 2018, Beach and O.G. Energy Holdings Ltd. (“O.G. Energy”) entered into a binding agreement whereby O.G. Energy will acquire 40% of Beach’s Victorian Otway assets for \$344 million in cash. The Otway assets includes the Otway Gas Plant, existing gas fields Geographe, Thylacine, Halladale, Speculant and Black Watch as well as exploration prospects Enterprise and Artisan. Beach will remain operator of the assets.

The sale will be effective from 1 July 2018 and completion is subject to customary conditions which are expected to be met by the end of Q3 FY19. In each joint venture Beach (or its wholly owned subsidiaries) will hold a 60% interest and remain as operator, whilst O.G. Energy will hold 40%.

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 completed at the end of January 2019.

Assets and liabilities of disposal groups held for sale

	BONAPARTE		OTWAY		CORPORATE		TOTAL	
	Dec 2018 \$million	Jun 2018 \$million	Dec 2018 \$million	Jun 2018 \$million	Dec 2018 \$million	Jun 2018 \$million	Dec 2018 \$million	Jun 2018 \$million
Property, plant and equipment	-	-	-	-	-	21.2	-	21.2
Petroleum assets	-	-	285.0	-	-	-	285.0	-
Exploration	-	-	92.5	-	-	-	92.5	-
Assets held for sale	-	-	377.5	-	-	21.2	377.5	21.2
Payables	-	-	52.1	-	-	-	52.1	-
Provisions	2.6	2.6	110.3	-	-	-	112.9	2.6
Liabilities held for sale	2.6	2.6	162.4	-	-	-	165.0	2.6

Note 19 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 previous 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 the 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 comprising 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%.

Note 19 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 provisional effect on the consolidated entity. The provisional acquisition entries booked in FY18 have been further adjusted in the current period as shown below following a further detailed review of the assets and liabilities acquired. The impact of these changes on both the prior year and current year is not material.

	Provisional \$million	Final \$million
Purchase consideration	1,532.0	1,532.0
Fair value of net assets acquired	1,448.1	1,474.9
Goodwill on acquisition	83.9	57.1
Fair Value of assets acquired		
Assets and liabilities held at acquisition date:		
- Cash	79.0	79.0
- Receivables	93.8	93.8
- Inventory	57.7	57.7
- Other current assets	4.8	17.8
- Other non-current assets	-	66.6
- Deferred tax assets	-	1.5
- Petroleum assets	1,594.5	1,775.5
- Exploration and evaluation assets	436.3	435.0
- Current payables	(163.6)	(163.6)
- Other current liabilities	-	(100.3)
- Current provisions	(17.6)	(17.6)
- Non-current payables	(46.6)	(46.6)
- Other non-current liabilities	-	(160.3)
- Restoration liabilities	(501.0)	(501.2)
- Deferred tax liabilities	(83.9)	(57.1)
- Other non-current provisions	(5.3)	(5.3)
Net assets	1,448.1	1,474.9
Cash consideration	(1,532.0)	(1,532.0)
Less cash acquired on acquisition	79.0	79.0
Net cash flow on acquisition	(1,453.0)	(1,453.0)

The Statement of Profit or Loss includes further integration costs incurred during the period of \$1.4 million for both acquisitions. 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.

Note 20 Events Occurring After The Balance Date

There has not been in the period since 31 December 2018 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The half year financial report and notes set out on pages 13 to 27, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
 - (b) complying with Accounting Standard *AASB 134 Interim Financial Reporting*, and the *Corporations Regulations 2001*.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 13th day of February 2019.

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



G S Davis
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT



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

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

Report on the Half-Year Financial Report

Conclusion

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

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

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

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
13 February 2019

GLOSSARY

\$	Australian dollars
Adelaide Brighton	Adelaide Brighton Cement Ltd, a wholly owned subsidiary of Adelaide Brighton Limited (ASX: ABC)
Alinta Energy	Alinta Energy Retail Sales Pty Ltd
bbl	Barrels
BassGas Project	Producing assets: Beach 53.75% and operator, Mitsui 35%, Prize 11.25%; Exploration permits: Beach 50.25% and operator, Mitsui 40%, Prize 9.75% Includes the producing Yolla Field (tenement T/L1), the BassGas pipeline and Lang Lang gas plant as well as separate retention leases over the Trefoil, Rockhopper and White Ibis discoveries (tenements T/RL2, T/RL3, T/RL4 and T/RL5).
Beach	Beach Energy Limited and its subsidiaries
Beharra Springs	Consists of the Beharra Springs, Redback Terrace and Tarantula gas fields and the Beharra Springs gas processing facilities. Tenement L11.
Benaris assets / interests	Refers to 27.77% of Otway Gas Project, acquired by Lattice, as announced by Origin on 11 September 2017
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
C&S	Cased and suspended
Cooper Energy	Cooper Energy Ltd and its subsidiaries
Cooper Basin	Includes both Cooper and Eromanga basins
CBJV (Cooper Basin JV)	Incorporates the Santos operated, SACB JVs and SWQ JVs
CY	Calendar year
Ex PEL 91	PRLs 151 to 172 and various production licences
Ex PEL 92	PRLs 85 to 104 and various production licences
Ex PEL 104 / 111	PRLs 136 to 150 and various production licences
Ex PEL 106	PRLs 129 and 130 and various production licences
Ex PEL 513 / 632	PRLs 191, 206, 131, 132, 133, 134 and various production licenses
FY(19)	Financial year (2019)
Genesis	Genesis Energy Limited and its subsidiaries
GSA	Gas sales agreement
GJ	Gigajoule
H(1) (FY19) / HY (FY19)	(First) half year period (of FY19)
HBWS	100% Beach owned, Halladale, Black Watch and Speculant fields in the offshore Otway Basin. Tenements Halladale, Speculant: VIC/L1(v) and VIC/P42(v), Black Watch: VIC/L1(v), VIC/RL12, VIC/RL11
kbbbl	Thousand barrels of oil
kboe	Thousand barrels of oil equivalent
kt	Thousand tonnes
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. Tenement PML 38146.
Lattice	Lattice Energy Ltd
LPG	Liquefied petroleum gas
Mitsui	Mitsui & Co., Ltd and its subsidiaries
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalent
MMscfd	Million standard cubic feet of gas per day
NZOG	New Zealand Oil & Gas and its subsidiaries
O.G. Energy	O.G. Energy Holdings Limited., a member of the Ofer Global group of companies
Origin	Origin Energy Limited and its subsidiaries

GLOSSARY

OGP (Otway Gas Project)	Consists of offshore gas fields, Thylacine and Geographe, the Thylacine Well Head Platform, Otway Gas Plant and associated infrastructure. Tenements T/L2, T/L3& VIC/L23
Otway Sale	Sale of 40% of Beach's Victorian Otway interests to O.G. Energy (for additional information please refer to ASX announcement Ref: #047/18)
P&A	Plugged and abandoned
PCP	Previous corresponding period
PEL	Petroleum Exploration Licence
Prize	Prize Petroleum International
PJ	Petajoule
Q(2) (FY19)	(Second) quarter of (FY19)
Qtr	Quarter
SACB JV	South Australian Cooper Basin Joint Ventures, which include the Fixed Factor Area (Beach 33.4%, Santos 66.6%) and the Patchawarra East Block (Beach 27.68%, Santos 72.32%)
Santos	Santos Limited and its subsidiaries
Senex	Senex Energy Limited and its subsidiaries
SWQ JV	South West Queensland Joint Ventures, incorporating various equity interests (Beach 30-52.2%)
TJ	Terajoule
TJe	Terajoule equivalent
Toyota Tsusho assets / interests	Refers to 5% of Otway Gas Project and 11.25% of BassGas Project. Refer Beach's announcement #098/17 of 21 December 2017.
Udacha Block	PRL 26
Waitsia	Consists of the Waitsia Gas Project, an interest in the Xyris production facility and other in-field pipelines. Tenement L1/L2.