Annual Report 2014

BEACH ENERGY

Delivering tomorrow's energy

VALUES

Our values are the guiding principles that define how business is conducted and what the company stands for:

Safety takes precedence in all operations
Team oriented, quality work and **sustainable performance**
Care, **respect**, integrity, trust – a preferred partner and employer of choice
Initiative, creativity, **innovation**, responsibility, accountability and pride
Ethical and **responsible** conduct

BEACH ENERGY

KEY OBJECTIVE

To increase shareholders' wealth through profitable investment in exploration, development and production of oil and gas

ABOUT BEACH ENERGY

Beach Energy is an ASX 100 listed oil and gas exploration and production company, with a primary focus on the health and safety of its employees. The company also prioritises a commitment to sustainability and the improvement of social, environmental and economic outcomes for the benefit of all its stakeholders.

Beach is focused on Australia's most prolific onshore oil and gas province, the Cooper Basin, while also having permits in other key basins around Australia and overseas.

As Australia's largest onshore oil producer, Beach continues to lead the way with successful drilling of its oil permits on the Western Flank of the Cooper Basin and, with recent permit acquisitions, anticipates the emergence of a new oil play on the Eastern side of the basin.

Active exploration of gas saturated shales and tight gas continues in not only the Cooper Basin, but also the Otway and Bonaparte Basins. These deeper gas targets complement Beach's large commitment to conventional gas drilling, all of which strategically positions Beach to take advantage of the growth in Australian east coast gas demand.

ABOUT THIS REPORT

This Annual Report is a summary of the operational activities during FY14 and the financial position of Beach Energy Limited as at 30 June 2014.

Beach Energy Limited (ABN 20 007 617 969) is a company limited by shares and is incorporated and domiciled in Australia. Beach Energy Limited is the parent company of the Beach consolidated group of companies. Unless otherwise stated, references to "Beach", "the Company", "we" and "our" refer to Beach Energy Limited and its controlled entities as a whole. The text does not distinguish between the operations of the parent company and those of its controlled entities.

Reference to the financial year or "FY" is to the year ended 30 June, unless otherwise stated. All dollar figures are expressed in Australian dollars unless otherwise stated.

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

Beach is continuing to reduce its environmental footprint by only sending printed annual reports to shareholders who have elected to receive one.

CONTENTS

Report objectives

This Annual Report meets compliance and governance requirements and is designed to provide easy to read information on how Beach performed in FY14 for our stakeholders, including shareholders, staff, and the community.

Competent persons statement

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

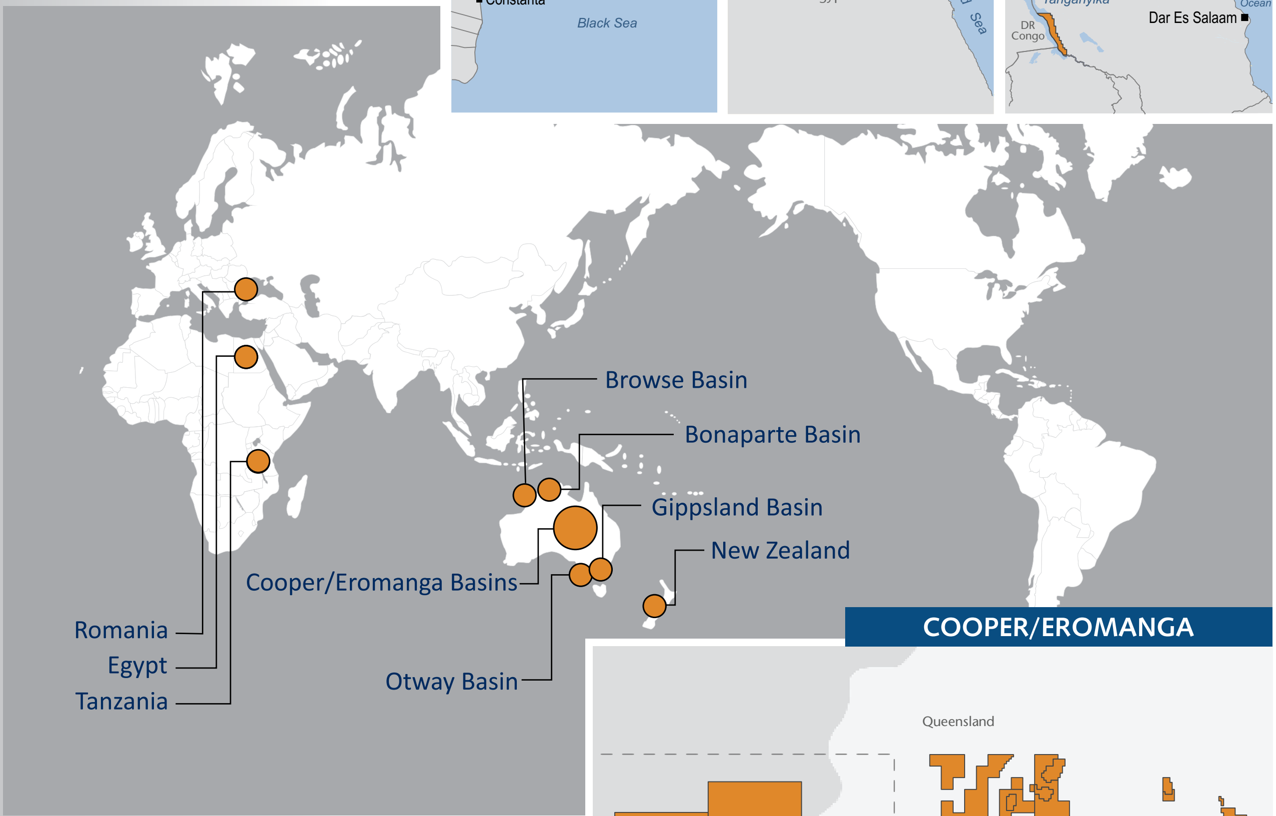
Information available online

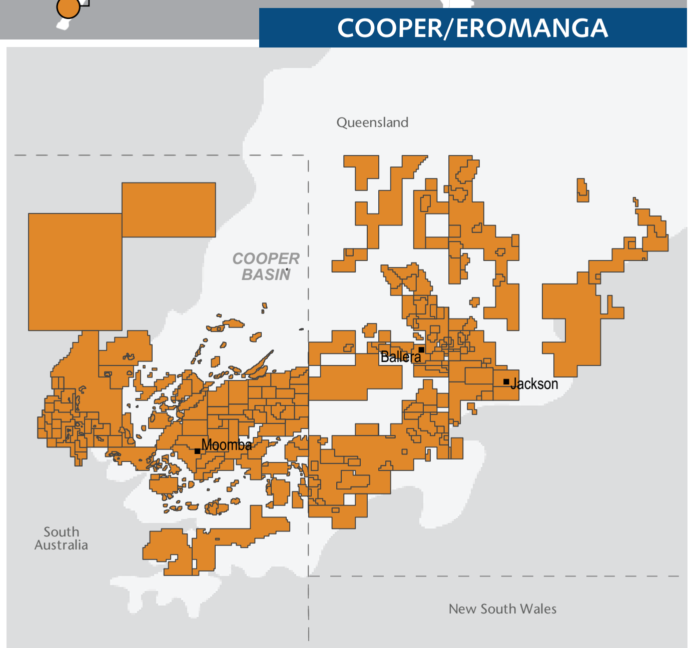
You can find out more about Beach online at www.beachenergy.com.au

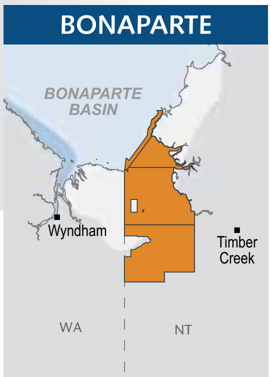
Annual General Meeting

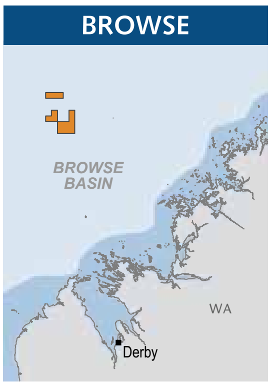
Venue: Adelaide Convention Centre,
Address: North Terrace,
Adelaide, SA 5000.
Date: Thursday,
27 November 2014
Time: 10.30am

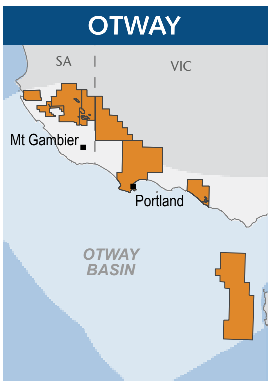
ASSET PORTFOLIO





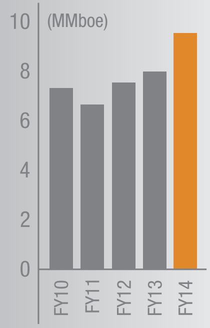




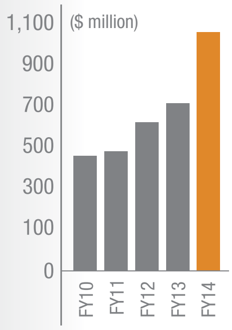


PERFORMANCE REVIEW

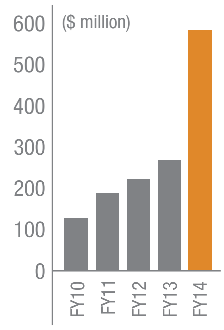
Production
up 20%



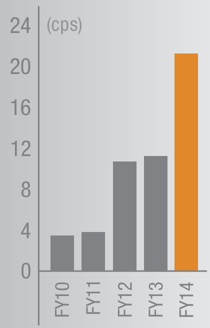
Sales revenue
up 51%



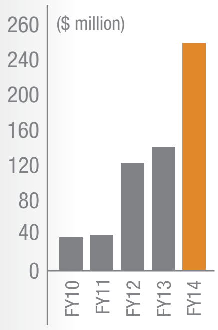
Operating cash flow
up 123%



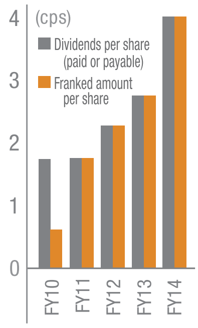
Underlying EPS
up 82%



Underlying NPAT
up 84%

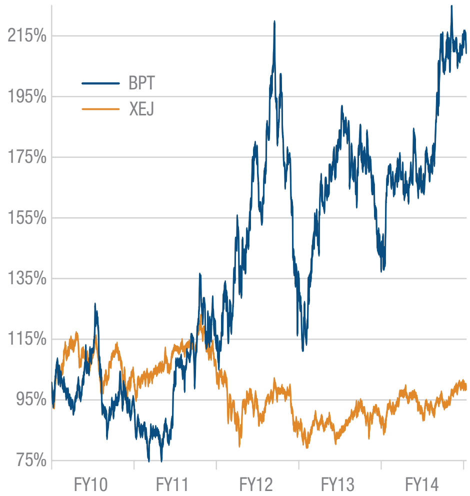


Dividends declared
up 45%



FY14 was an outstanding year of financial and operating performance, marking the third consecutive year of significant growth for the Company.

FY10 – FY14
Share price performance vs the Energy Index



Results for the past five years

		FY10	FY11	FY12	FY13	FY14
Sales revenue	$ million	487	496	619	698	**1,052**
Net profit after tax	$ million	33	(98)	164	154	**102**
Underlying net profit after tax	$ million	39	42	122	141	**259**
Cash flow from operating activities	$ million	128	185	218	262	**583**
Market capitalisation at year end	$ million	754	1,009	1,180	1,440	**2,171**
Net assets	$ million	1,372	1,273	1,612	1,783	**1,871**
Production	MMboe	7.3	6.6	7.5	8.0	**9.6**
2P reserves	MMboe	66	77	93	93	**86**
2C contingent resources	MMboe	297	582	467	449	**467**
Gearing ratio	%	0.98	0.71	7.60	7.36	**8.55**
Earnings per share	cps	3.12	(8.81)	14.43	12.17	**7.95**
Share price at year end	$	0.69	0.92	0.94	1.14	**1.68**
Dividends declared per share	cents	1.75	1.75	2.25	2.75	**4.00**
Franked amount per share	cents	0.60	1.75	2.25	2.75	**4.00**
Shares on issue	million	1,071	1,103	1,256	1,269	**1,292**

Safety

Safety takes precedence in all operations

CHAIRMAN'S REPORT

Glenn Davis

The balance sheet remains very strong with the capital expenditure program fully funded in FY15 as we look forward to another exciting year in the Company's development.

Dear Shareholder,

Operationally FY14 was outstanding by any measure.

Sales volumes approaching 11 MMboe, sales revenue of $1.05 billion, an underlying net profit after tax of $259 million and a year-end cash balance of $411 million, all tell of stellar operational performance.

That performance has been reflected in a 4 cent per share dividend to shareholders.

Our Western Flank oil business remains extremely strong and we continue to invest capital with a view to repeating that success with our farm-in to ATP 924, drilling in ATP 732 and our recent Namur exploration success in PEL 104/111. Our oil business in the SACB and SWQ JVs also continues to contribute strongly.

Infill gas development drilling in the SACB and SWQ JVs continues and we expect that our gas sales agreement with Origin Energy will commence in FY15 to further underpin our domestic gas business.

At the same time, we continue to look for opportunities to make the most of the east coast gas market. By way of example, we have farmed-in to T49/P in the offshore Otway Basin and we intend to accelerate our investigation of conventional play types in the onshore Otway Basin, after our encouraging drilling results at Jolly-1 and Bungaloo-1 in that region.

The Nappamerri Trough Natural Gas program continues with our partner, Chevron, and whilst the pressures and temperatures at which we operate present technical challenges, the size of the prize is enormous. We believe further flow testing in the new financial year will assist in unlocking the secrets of this huge resource play.

As recently announced, our international assets are presently under review as we look to rebalance our portfolio. As part of that process, after relinquishment of the Mesaha concession and expiry of the North Shadwan exploration concession, we impaired our Egypt assets at year-end, while acknowledging that recent results in the Western Desert have been encouraging.

The balance sheet remains very strong with the capital expenditure program fully funded in FY15 as we look forward to another exciting year in the Company's development.

I cannot let this report pass without comment on the Managing Director, Reg Nelson. This is the last report with Reg as Managing Director after more than 22 years of dedicated service to the Company. In that time the Company has grown from a minnow to a market capitalisation of circa $2 billion. Reg's service to the Company has been one of excellence and is to be applauded. He leaves the Company well poised to continue its development and I thank him both personally, and on behalf of the Board, for all that he has done.

Announcements regarding his successor and a new non-executive director joining the Board will both be made in the coming months.

In closing, a thank you to the Board, all of our staff, and especially to you our shareholders for your continued support.

Glenn Davis, Chairman
26 September 2014

MANAGING DIRECTOR'S REPORT

Reg Nelson

Ours is a risky business. We take measured risks, we pay our way, we welcome incentives, but disincentives have no place when it comes to energy security.

Future direction

- Targeting superior shareholder returns when compared with peer companies.
- Continued focus on exploration and development of the Cooper Basin Western Flank oil and wet gas assets.
- Growing the portfolio of quality acreage within the Cooper Basin and Australia more generally.
- Initiation of the Origin Energy oil linked gas contract to greatly improve gas profit margins and resultant cash flow from the gas business.
- Moving the Nappamerri Trough Natural Gas program to pilot production and appraisal.
- Optimisation of the whole asset portfolio, with a review of the international business.

It is humbling that in Beach's more than 50 year history, the last financial year has delivered a most remarkable set of results. Our operated oil business on the Western Flank of the Cooper Basin delivered in excess of 10,000 barrels of oil per day, net to Beach, which has underpinned record production of 9.6 MMboe – a truly outstanding result.

Strategic positioning

Over the years we have focused on strategically positioning the Company to deliver gas to the growing Australian east coast gas market – this market will soon experience higher gas pricing as new LNG facilities come on-line in Gladstone, Queensland. At the same time, our deep onshore gas exploration in the Cooper Basin is progressing well. I believe this has the potential to be a game changer, not just for Beach, but for the east coast of Australia in terms of gas supply and energy security. I have spent a lot of time this year sharing this story with our audience; political leaders, the media, the investor community and other industries.

Around the middle of the last decade, the USA underwent an energy revolution which has transformed that country from a net importer of oil and gas to a 'soon-to-be' net exporter. It is a gas revolution that has been driven by technical innovation, mainly around a process called fracture stimulation. Fracture stimulation has allowed the industry to recover oil and gas from shale and other tight rock previously inaccessible only 15 years ago. But it is not new. It has been around in its modern form since 1947, with over 2.5 million wells fracture stimulated globally by 2012.

Trailblazing the opportunity

At Beach we are always looking for the next innovation and opportunity, and we saw the USA energy revolution as something that could be replicated to a point here in Australia. Early testing of naturally fractured shales in the Otway Basin in Victoria showed that gas could be produced from these deeper denser rocks. Shale is where gas is first formed, with most shales retaining more than 90 per cent of this originally generated gas.

We undertook a review of all the major basins in Australia, with our technical team identifying the Cooper Basin as having the best potential for shale and tight gas opportunities. Beach then went about positioning itself through the addition of significant acreage in the Nappamerri Trough, resulting in the largest unconventional footprint within the Cooper Basin of any company.

This was timely. I believe we will soon be in the midst of a gas supply crunch, with long dated legacy gas contracts expiring, and demand set to increase once the LNG facilities in Gladstone come on-line over the coming twelve months.

So the big question at the minute is: Where is the gas going to come from to supply the shortfall in LNG feedstock and potential shortages in the Australian east coast market?

The importance of quality assets, strategically located

We believe that the Cooper Basin is perfectly placed to supply this gas. It is Australia's most prolific hydrocarbon province, has established infrastructure and is being reinvigorated through an active conventional infill gas development program. On top of all this, it is currently the focus of a number of top tier major oil and gas companies, that have and are investing in shale and basin centred gas exploration.

In addition to the Cooper Basin, our exploration program in the Otway Basin in South Australia also has the potential to provide gas to the domestic market. While our technical team is still evaluating core samples taken from the two wells drilled in the Otway Basin earlier this year, early indicators suggest the potential exists to produce gas from both conventional and deeper targets.

The impact of an energy supply crunch will not be limited to the east coast of Australia.

South Australian gas supplies come from offshore in the Otway Basin. Any shortages in the east coast gas market, whether they are from supply, the impact of bushfires, or excessive heat, may have flow on impacts that could result in power outages across South Australia.

Stakeholder relationships

Whether our operations are in the Cooper Basin, the Otway Basin, or the Bonaparte Basin, our approach to working with communities and the integrity of our operations remains the same. The oil and gas industry needs bi-partisan support from both sides of politics to secure the benefits that come from the industry. These benefits include jobs, economic growth, significant royalty payments and of course energy.

In Australia, we don't have the luxury of the prolific oil and gas-prone shale basins that the USA enjoys, nor the vast network of pipelines. For our east coast market, there are only a few, perhaps three, proven non-CSG onshore basins that are likely to deliver adequate quantities of gas. These are the Cooper, Otway and the Gippsland Basins. In Victoria, the Otway Basin and Gippsland Basin are locked down by a government imposed moratorium, despite a government commissioned report advocating gas exploration and development. Fortunately, the South Australian and Queensland Governments recognise it is crucial to lead and give confidence to companies risking capital investment to unlock potentially huge gas resources.

Focusing on the facts

Much of the energy supply debate has been overshadowed with pseudo-science which lacks substance. The science behind gas exploration, production and regulation is long established, robust and has been extensively tested. Gas needs to continue to be produced to meet demand. Domestic gas use continues to remain high and we must continue to do all we can to provide secure and stable supplies of natural gas.

Ours is a risky business. We take measured risks, we pay our way, we welcome incentives, but disincentives have no place when it comes to energy security.

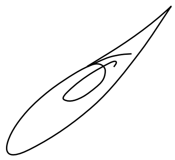
To those who seek to discredit the industry, I ask that you become informed before you speak out, understand the science and take the time to talk to us and learn about what we do. Oil and gas is produced to meet demand. Driving a car and lighting up our gas fired stoves are the obvious activities that rely on oil and gas, but there is so much more. Most of our plastics require oil and gas for production, so does furniture, cosmetics, fertilisers and wind turbines just to name a few. It is essential that our industry is operated with the highest level of regulation and environmental integrity, and it does. But, it would be nonsensical to risk an industry that supports our everyday lives.

This is my last report as Managing Director. The one overwhelming feeling I have when I look back over my time with Beach is pride. I am immensely proud of Beach Energy, the excellence with which things are done, the caring and inclusive culture, as well as the innovation and creativity that has positioned the company in what I believe is the excellent position it is in today.

I thank the Directors for their support, the Executive team, who have worked tirelessly to deliver our strategic milestones, and most importantly, all the staff, consultants and contractors who have helped Beach achieve great things. Without the dedicated workforce we have at Beach today, we would not have the solidarity, the discipline and the culture to aim for greater things . A company is only as good as its people. Ours are second to none.

Of course, I shall follow the evolution of Beach over time with unremitting interest. I believe that it will continue to have an exciting future.

On that note, I thank you and give my best wishes to all for a prosperous future.



Reg Nelson, Managing Director
26 September 2014

CHIEF FINANCIAL OFFICER'S REPORT

Kathryn Presser

Beach reported record results in sales revenue, operating cash flow and underlying NPAT, underpinning our strong balance sheet.

I am pleased and proud to present an outstanding year of financial and operating performance for Beach, with records achieved for sales volumes, revenue, operating cash flow and underlying net profit after tax (NPAT), with the FY14 set of results marking the third consecutive year of significant growth for the company.

The highlight of FY14 was a significant increase in the underlying profit, driven by record sales volumes, mainly from our Western Flank oil production in the Cooper Basin. This has led to a significant increase in cash flow from operations, enabling the Company to reinvest in additional growth.

Beach ended the year in a strong financial position, with cash reserves of $411 million and an undrawn $300 million credit facility in place, with a quality syndicated group of banks.

In addition to financial strength, during the year we launched a significant internal recruiting campaign that will support our growing business.

Beach continues to power through into FY15, with strong positive momentum and a continued focus on growth, and we are well positioned to add to our major achievements to date.

Beach reported record results in sales revenue, operating cash flow and underlying NPAT, underpinning our strong balance sheet.

FY14 Key performance highlights

- Record sales revenue of $1.05 billion, up 51%.
- Record Underlying NPAT of $259.2 million, up 84%.
- Record operating cash flow of $582.6 million, up 123%.
- Record dividends paid of 4 cents per share.

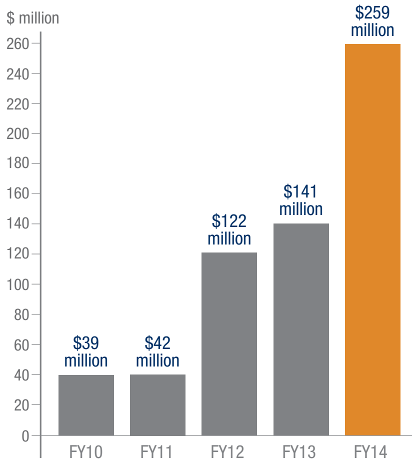
Future direction

- Fully funded FY15 active capital expenditure program expected.
- Continued strong cash flow from Western Flank oil operations anticipated.
- The potential conversion in April 2015 of Beach's $150 million convertible note. The note may be called by Beach, or put back to Beach by the note holders.
- A strong dividend stream back to shareholders expected to be maintained.

Financial results overview

	FY14	FY13	Change
Sales volume (MMboe)	**10.8**	9.0	20%
Total sales revenue ($ million)	**1,052.1**	698.2	51%
Operating cash flow ($ million)	**582.6**	261.3	123%
NPAT ($ million)	**101.8**	153.7	(34%)
Underlying NPAT ($ million)	**259.2**	140.7	84%
Cash balance ($ million)	**411.3**	347.6	18%
Total dividends paid (cps)	**4.0**	2.25	78%

Record underlying NPAT



As a result of the FY14 record results, Beach also passed on the rewards to shareholders with another increase in our final dividend.

Beach continues to build on its promise made to shareholders in FY12. This promise was to continue to grow the company in a stepwise manner, which is being achieved.

Gross profit was 78% higher, driven mainly by a 51% increase in sales revenue, offset by higher royalties and depreciation as a result of this increased revenue.

Gross profit summary

Beach reported a record underlying NPAT of $259.2 million, 84% up on FY13, and an NPAT of $102 million, 34% down on FY13. Whilst there was a substantial increase in underlying NPAT, as a result of record oil revenue from the Western Flank oil fields, the statutory NPAT was negatively impacted by impairment adjustments in FY14.

In reconciling NPAT to underlying NPAT:

- We add back the mark to market on the Convertible Note as a result of the increase in share price year on year – up from $1.135 at 30 June 2013 to $1.68 at 30 June 2014; and
- We remove assets sales, primarily the gain on sale of our USA assets; offset by
- Impairment of Egypt by $148.6 million, and Geothermal by $13.6 million.

Upon normalising this result, Beach reported a record underlying NPAT of $259.2 million.

FY14 Underlying NPAT up 84% on FY13

	FY14 $ million	FY13 $ million
NPAT	**101.8**	153.7
Adjusted for:		
Unrealised hedging (gains)/losses	**0.0**	0.4
Mark to market of convertible notes derivative	**14.3**	3.1
Asset sales	**(15.7)**	(26.6)
Impairment of assets [1]	**162.2**	3.5
Tax impact of above changes	**(3.5)**	6.7
Underlying NPAT	**259.2**	140.8

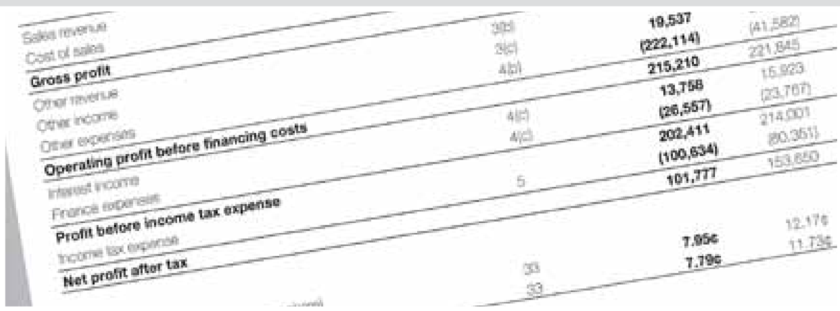
[1] *Egypt $148.6 million, Geothermal $13.6 million.*

Summary

In summary, Beach continues to build on its underlying business, with:

- Cash of $411 million in the bank;
- A $300 million finance facility that can be drawn upon at any time;
- Significant future cash flows expected to fund operations and capital expenditure moving forward; and
- A reward to shareholders with a significant increase in total dividends declared to 4 cents per share.

Kathryn Presser, Chief Financial Officer
26 September 2014



CHIEF OPERATING OFFICER'S REPORT

Neil Gibbins

Beach produced 9.6 million barrels of oil equivalent, with a total of 122 wells completed at an overall success rate of 85%.

I am incredibly proud of what we have achieved from a Beach operated perspective this year, with the results standing alone at record levels. The great challenge for our teams moving forward will be to not just meet these new benchmark levels, but to eclipse them. These are very exciting times for the business and I am confident we can achieve these challenges and more.

Beach produced 9.6 MMboe, 54% of which was oil and 46% gas and gas liquids. Gas and gas liquids production was up 4% on the prior year, but it was record oil production that delivered Beach its outstanding financial result for FY14. Beach is now the largest onshore oil producer in Australia, with oil production up 39% on FY13. This is an achievement which very few would have foreseen five years ago and was primarily due to exploration and development success and increased oil transport capacity out of our Western Flank assets. The hard work, dedication and innovation by the Operations Division, both in the office and in the field, were fundamental to achieving this outcome.

A total of 122 wells were completed with an overall success rate of 85%. Of the total wells drilled, development wells comprised the majority at 63% of total wells drilled with a success rate of 99%, exploration wells comprised 26% with a success rate of 59% and appraisal wells comprised 11% with a success rate of 69%.

Operations on the Western Flank of the Cooper Basin continue to expand providing high cash flow and exciting results, including further expansion of the Bauer, Pennington and Spitfire fields and the new field discovery at Stunsail. A very active drilling program of up to 38 wells is planned for FY15. Consequently, Beach is looking forward to continuing high levels of production and further successful drilling results from this prolific region. In addition, it is pleasing to note net oil production from our Delhi asset was 1.0 MMbbl, 5% higher than the prior year.

With higher gas prices and a looming gas shortage for the eastern Australia gas market, Beach has continued to focus on gas opportunities in Australia, not only through the SACB and SWQ JVs asset portfolio and Nappamerri Trough Natural Gas exploration program in the Cooper Basin, but also with initial drilling and encouraging results from the programs in the Otway Basin and onshore Bonaparte Basin.

FY14 Key performance highlights

- Excellent safety record with reduced low injury frequency rate for employees and service providers.
- Record production of 9.6 MMboe, up 20%.
- Western Flank production in excess of 10,000 bopd (net) for the full year.
- Expansion of the Bauer, Pennington and Spitfire fields and new field discovery at Stunsail.
- 122 wells completed with a success rate of 85%.
- Retention licences granted over PEL 218 (PRLs 33 to 49) and PEL 92 (PRLs 85 to 104).

Future direction

- Cooper Basin, Western Flank oil – drilling campaign of up to 38 wells and infrastructure expansion to continue exploration and maximise production.
- Cooper Basin Eastern Flank oil – drilling of one well in each of ATP 732 (Tookoonooka Permit, Beach 50%) and ATP 924 (Beach 45%).
- Nappamerri Trough Natural Gas program – current phase of exploration work to be completed during the second half of the financial year. It is planned to fracture stimulate and flow test up to eight wells.
- SACB and SWQ JVs – continued infill gas development drilling (70 to 80 wells), infrastructure expansion and further deep natural gas exploration drilling.
- PEL 106 – further drilling addressing wet gas targets with three exploration wells and one appraisal well.
- Otway Basin – completion of core evaluation from Jolly-1 and Bungaloo-1 to assess potential for both conventional and unconventional hydrocarbons. Drilling of one onshore well targeting conventional hydrocarbons. Acquisition of 755km^2 of marine 3D seismic in T/49P.
- International – three development wells and three exploration/appraisal wells in Egypt plus commencement of transition and offshore 2D seismic in Tanzania.

The main focus of the SACB and SWQ JVs for the year was on the infill development program, which saw the completion of 53 wells with a success rate of 100%. The ramp-up profile of the infill development program will provide a clearer picture of forward production growth and allow the company to set the commencement time for the new oil linked gas contract with Origin Energy.

The Beach operated Nappamerri Trough Natural Gas exploration program yielded further encouraging results through FY14. A total of 18 wells have now been drilled as part of the exploration phase of the project. Of these, 11 have been fracture stimulated and nine flow tested. The work undertaken to date continues to increase understanding of both the geology and technical approach to gas extraction from the target Permian formations. The program remains on track to meet its agreed targets within the set joint venture timeframes. We look forward to working with our partners Chevron and Icon on the fracture stimulation and flow testing program to be undertaken in the second half of 2014 and early 2015.

The SACB JV deep gas program continued with the joint venture exploring two separate plays, the Roseneath Shale, Epsilon Formation, Murteree Formation (REM) play and the Basin Centred Gas (BCG) play. With two Moomba REM wells online, 2 horizontal wells drilled and flow tested and further work completed on the BCG play, Beach sees the results as further vindication of the gas potential of the region.

Beach's Egyptian exploration and development program continued with a very successful campaign in the Abu Sennan Concession (Beach 22%) including drilling and completion of El Slamiya-3, El Salmiya-4ST1 and Al Jahraa-2ST1. Testing at El Salmiya-2ST2 also comfirmed a significant discovery with gross 2P oil reserves of 13.0 MMbbl of oil. With the commencement of a pipeline installation project for gas export to a nearby government gas facility, Beach is looking forward to an increase in oil production from the Concession.

In our Lake Tanganyika Concession (Beach 30%), we look forward to working with our new joint venture partner, Woodside. Planning is well underway for acquisition of 2D transition zone seismic and further marine 2D seismic to detail targets for potential drilling.

The Australian and international drilling program in FY15 is expected to include up to 136 wells, of which up to 96 will be development wells and up to 40 will be exploration/appraisal wells. This continues the very active program of FY14 and equates to an approximate 10% increase in drilling activity. Production guidance for FY15 is 8.6 to 9.4 MMboe, with capital expenditure guidance of $450 to $500 million. Beach will also continue to actively review its portfolio of assets and focus capital allocation accordingly.

Beach anticipates it will be able to fund its FY15 capital expenditure activities in full, as a result of its financial position, expected production and resultant operating cash flow.

Neil Gibbins, Chief Operating Officer
26 September 2014

DIRECTORS

Non Executive Directors left to right:
Doug Schwebel, Glenn Davis, Belinda Robinson, John Butler, Fiona Bennett.

Glenn Davis

Independent Non-Executive Chairman
– *LLB, BEc, FAICD*

Glenn is a solicitor and principal of DMAW Lawyers, a firm he founded. He joined Beach in July 2007 as a non-executive director and was appointed non-executive Deputy Chairman in June 2009. Glenn brings to the Board his expertise and experience in the execution of large legal and commercial transactions and corporate activity regulated by the Corporations Act and ASX Limited.

Glenn is a director of ASX listed companies Monax Mining Limited (since 2004) and Marmota Energy Limited (since 2006).

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

Reg Nelson

Managing Director
– *BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD*

Reg joined Beach in May 1992 as an executive director, appointed Chief Executive Officer in October 1995 and then Managing Director in May 2002. He has had a career spanning over four decades as an exploration geophysicist in the minerals and petroleum industries. He was chairman of the peak industry organisation, the Australian Petroleum Production and Exploration Association (APPEA) from 2004 to 2006. Reg's contribution to the Board is his technical expertise and knowledge of the petroleum industry and broad experience in corporate matters. Reg's wide-ranging experience and knowledge of industry issues and future energy directions is directed towards broadening and strengthening the future growth of Beach.

In addition to his responsibilities as Managing Director, he is relied upon by the Board to lead the development of strategies for the development and future growth of Beach.

John Butler

Lead Independent Non-Executive Director
– *FCPA, FAICD, FIFS*

John joined Beach in June 1999 as a non-executive director, having been previously the alternate director to Reg Nelson from 1994-1998.

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

He was appointed Lead Independent Director on 1 July 2014.

Belinda Robinson

Independent Non-Executive Director
– *BA, MEnv Law, GAICD*

Belinda joined Beach in May 2011. She is the chief executive and executive director of Universities Australia, the national body representing Australia's 39 universities to Government. Her special responsibilities include chairmanship of the Remuneration and Nomination Committee.

Fiona Bennett

Independent Non-Executive Director
– *BA(Hons) FCA, FAICD, FAIM*

Fiona is a Chartered Accountant with over 30 year's experience in business and financial management, corporate governance, risk management and audit.

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

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

Doug Schwebel

Independent Non-Executive Director
– *PhD B. Sc (Hons) - Geology*

Doug has over 30 years' experience in the resources sector, having held various senior executive positions with ExxonMobil including Exploration Director for its Australian upstream subsidiaries. He is currently a director of Tap Oil Limited (since 2012) and has also served as a nonexecutive director on the boards of Roc Oil Limited and Great Artesian Oil & Gas Limited.

His special responsibilities include membership of the Audit Committee.

EXECUTIVE MANAGEMENT

Left to right:
Kathryn Presser, Gordon Moseby, Rod Rayner, Reg Nelson, Cathy Oster, Neil Gibbins, Steve Masters.

Kathryn Presser

Chief Financial Officer and Company Secretary (and Executive Vice-President Corporate Services)
– *BA (Accounting), Grad Dip CSP, FAICD, FCPA, FGIA, FCIS, AFAIM*

Kathryn joined Beach in January 1997 and was appointed to the role of Company Secretary in January 1998. Appointed as the Chief Financial Officer in June 2005, Kathryn has over 25 years' specific expertise in corporate financial and strategic accounting roles and is a qualified chartered secretary. She is a Fellow of the Governance Institute of Australia, CPA Australia, AIM – Australia and the Institute of Company Directors. She recently served on the SA and NT State Council of the Governance Institute of Australia, is a member of the Petroleum Society of Australia, a Director of Mawson Petroleum Pty Ltd and also serves on other not-for-profit boards.

Gordon Moseby

Group Executive Portfolio Management (and Executive Vice-President Planning)
– *BE (Hons) - Petroleum*

Gordon joined Beach in early 2002 and is currently in charge of the Corporate Planning and Portfolio areas, with a focus on optimising Beach's portfolio performance. Gordon is a member of the Society of Petroleum Engineers, the Petroleum Exploration Society of Australia and the Australian Institute of Company Directors.

Rod Rayner

Group Executive Commercial (and Executive Vice-President Australian Gas)
– *BSc (Hons) - Geology, GAICD*

Before joining Beach in 2011, Rod was an industry consultant who was involved in the successful acquisition and divestment of the Tipton West coal seam methane project. He has served as director of the Queensland Mining Council, the Queensland Resources Council, and for a period chaired the Exploration Committee of that body.

Cathy Oster

General Counsel and Joint Company Secretary (and Executive Vice-President Sustainability)
– *BA (Jurisprudence), LLM (Corporate and Commercial), FGIA, FCIS*

Cathy was appointed Joint Company Secretary in July 2005 and General Counsel in 2012. She has more than 25 years' experience as a lawyer and a partner in private practice, advising on corporate and commercial transactions. Cathy is a qualified chartered secretary, a member of the Governance Institute of Australia, the Law Society of South Australia, the Australian Institute of Company Directors and the Australian Corporate Lawyers Association. She also serves on the SA and NT State Council of the Governance Institute of Australia.

Neil Gibbins

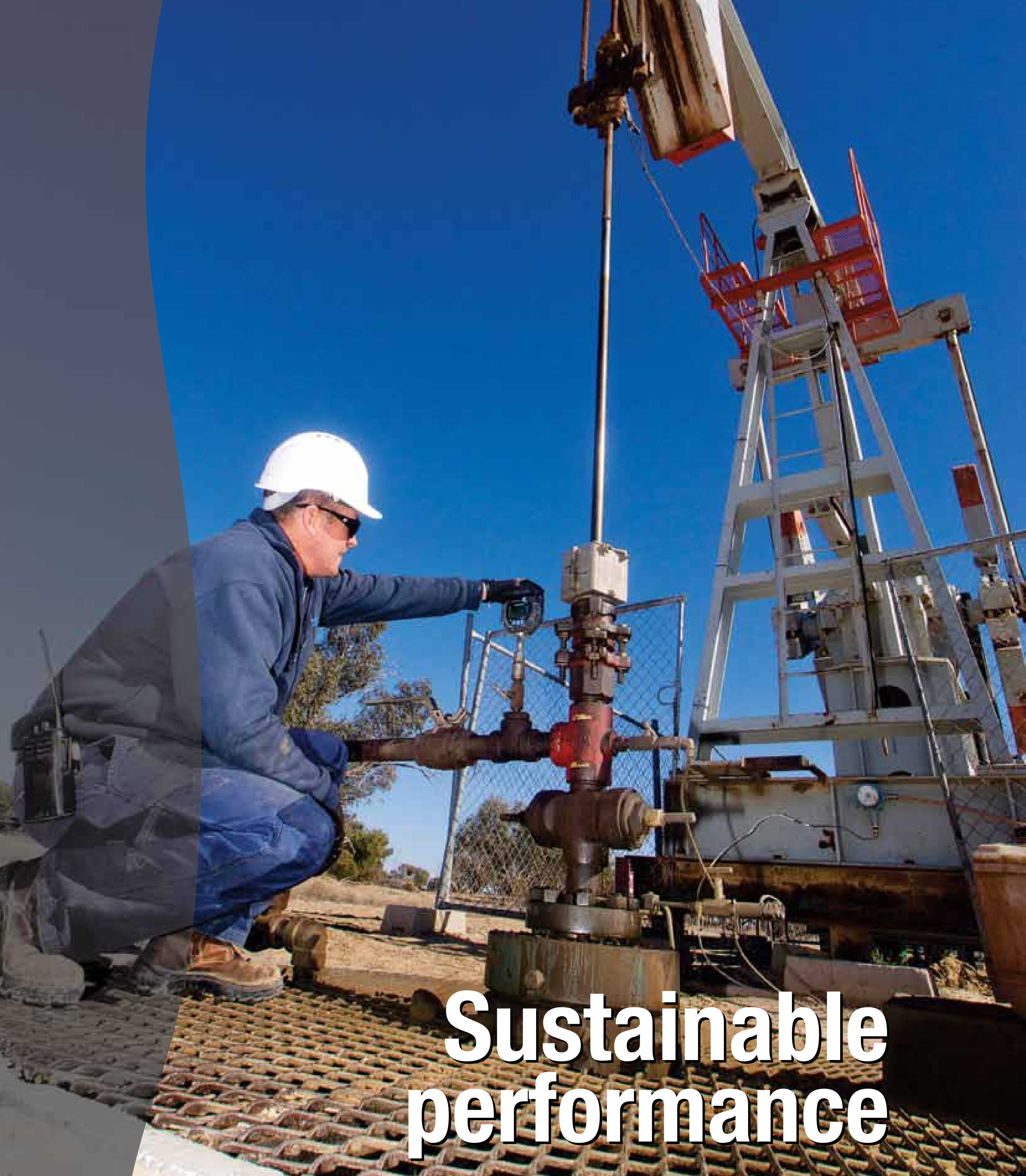
Chief Operating Officer (and Executive Vice-President Australian Oil And International)
– *BSc (Hons) - Geophysics*

Neil joined Beach in 1997, initially in the role of Chief Geophysicist. Appointed as Chief Operating Officer in 2010, he manages Beach's exploration, development and production programs and budgets for Australia, Egypt, Romania, New Zealand and Tanzania.

Steve Masters

Group Executive Corporate Development (and Executive Vice-President Growth)
– *B App Sc (Applied Geology), BSc (Hons) - Petroleum Geology and Geophysics, Grad Dip App Finance and Investment, F Fin, M AusIMM*

Steve joined Beach in early 2007 as Chief Commercial Officer, after approximately ten years with Woodside Energy Ltd, where he held a variety of commercial roles.
In his current role, heading up Corporate Development, Steve is responsible for domestic and international acquisitions and divestments.



Sustainable performance

Team oriented, quality work and **sustainable performance**

REVIEW OF OPERATIONS – Production

Beach produced 9.6 MMboe, 20% up on the previous year and with a production mix of 54% oil and 46% gas and gas liquids.

The Company's oil and gas production is primarily derived from the Cooper and Eromanga Basins, located in the north east of South Australia and the south west of Queensland.

Total full year oil production was 5.2 MMbbl, with Western Flank oil production averaging in excess of 10,000 bopd (net) for the 12 months. This was primarily due to continued strong field performance, development activity, and increased oil transport capacity out of the Western Flank. New oil flowlines were commissioned in FY13 and were maintained at close to maximum capacity during the year, which included the trunkline from the Lycium hub to Moomba that reached a peak flow of 19,500 bopd.

Gas and gas liquids production was up 4% on the prior year, mainly due to reduced Moomba shutdowns.

Oil

Cooper/Eromanga Basins

PEL 91

(Beach 40% and operator, Drillsearch 60%)

Gross oil production was 4.6 MMbbl (1.8 MMbbl net), up 280% on the prior year, mainly driven by the exceptional performance of the Bauer field. This resulted in average gross production of 12,600 bopd (5,040 bopd net), with the Bauer to Lycium pipeline at its full capacity of 10,500 bopd, with excess oil trucked to Lycium. The Bauer field had eleven wells tied-in to the Bauer facility. The Bauer facility was expanded from 20,000 bpd of total fluids to 33,000 bpd in September 2013, with a further expansion to 50,000 completed not long after financial year end.

PRLs 85 to 104 (ex PEL 92)

(Beach 75% and operator, Cooper 25%)

Gross oil production was 2.0 MMbbl (1.5 MMbbl net), up 16% on the prior year, delivering an average production rate of 5,600 bopd (4,200 bopd net). This was mainly due to new wells in the Butlers, Windmill and Callawonga fields brought online, and the commencement of production from the Rincon field.

Kenmore

(Beach 100%)

Oil production continued to be steady at around 500 bopd, delivering just over 160 kbbl of oil for the year.

SACB and SWQ JVs

(Various interests)

Net oil production from the Santos operated joint ventures in the Cooper Basin was 1.0 MMbbl, 5% higher than the prior year. This was mainly driven by continued development and appraisal of the Zeus and Cook fields and successful drilling at Irtalie East.

PELs 104 and 111

(Beach 40%, Senex 60% and operator)

Gross oil production was 1.6 MMbbl (0.6 MMbbl net), down 4% on the prior year, mainly due to natural field decline. The Spitfire oil field had four wells successfully completed, two of which were appraisal and two development. Spitfire-3, -4 and -6 were brought on-line in May/June, with Spitfire-5 expected to come on-line during FY15. A flowline from Spitfire to Growler was connected, which replaced the need for trucking.

Egypt

Gross Egyptian production from the Abu Sennan (Beach 22%) and North Shadwan (Beach 20%) Development Leases was 663 kbbl (61 kbbl net entitlement), up 6% on the prior year.

Gas and Gas Liquids

Cooper/Eromanga Basins

PEL 106

(Beach 50% and operator, Drillsearch 50%)

Gross gas and gas liquids production was 0.9 MMboe (0.5 MMboe net), up 60% on the prior year, mainly due to a full year of gas sales to the SACB JV.

SACB and SWQ JVs

Net sales gas and ethane production was 19.1 PJ, 1% down on FY13, mainly due to natural field decline, with condensate production of 0.3 MMbbl down 2%.

Production comparison

Area	FY14				FY13
	Oil (MMbbl)	Gas Liquids (MMboe)	Gas (PJ)	Oil Equivalent (MMboe)	Oil Equivalent (MMboe)
PEL 91	1.8	-	-	**1.8**	0.5
PRLs 85 to 104	1.5	-	-	**1.5**	1.3
PEL 111	0.2	-	-	**0.2**	0.1
PEL 104	0.4	-	-	**0.4**	0.6
BPT Qld	0.2	-	-	**0.2**	0.2
PEL 106	-	0.1	1.9	**0.5**	0.3
SACB and SWQ JVs	1.0	0.6	19.1	**4.9**	4.9
Total Cooper/ Eromanga	**5.1**	**0.8**	**21.0**	**9.5**	**7.9**
Egypt	0.1	-	-	**0.1**	0.1
Total	**5.2**	**0.8**	**21.0**	**9.6**	**8.0**

REVIEW OF OPERATIONS – Exploration and Development

Cooper/Eromanga Basins

Western Flank

A total of 20 operated wells were drilled, reflecting an active year in terms of drilling. Record oil production from the operated oil portfolio was driven by continued field performance and development activity.

Beach remains active in its recording and interpretation of 3D seismic data throughout the Cooper Basin. The processing and interpretation of the Caseolus 3D seismic dataset, covering areas of PELs 91 and 92, and the Irus 3D seismic dataset, covering areas of PELs 91, 92, 106 and PRLA 26, generated further prospects and leads, the first of which were drilled in FY14.

PEL 91

(Beach 40% and operator, Drillsearch 60%)

The Bauer field was further extended by the drilling of the Bauer-12 appraisal well. Two development wells were also drilled in the Bauer field, with six development wells to be drilled in FY15. Appraisal drilling was successfully undertaken in the Chiton and Pennington fields, increasing ultimate recoverable volumes, with exploration success realised with a new field discovery at Stunsail-1.

PRLs 85 to104

(Beach 75% and operator, Cooper 25%)

The joint venture was granted Petroleum Retention Licences (PRLs) 85 to 104 over PEL 92, securing tenure over this strategically important oil producing area, for up to 15 years. As well as this, new production licences were granted over the Butlers, Germein, Perlubie, Rincon, Elliston and Windmill fields.

Development wells were drilled during the year in the Windmill, Butlers and Callawonga fields. The objective of the development program was to accelerate the production of reserves, with the wells connected and now producing.

PEL 106

(Beach 50% and operator, Drillsearch 50%)

Technical work was completed for the upcoming exploration and appraisal campaign which commenced in the first quarter of FY15. The objective of this campaign is to target the stratigraphic gas condensate play already proven and on production in the area.

PEL 94

(Beach 50% and operator, Strike 35%, Senex 15%)

A program to fracture stimulate and flow test the Patchawarra deep coal encountered in the Davenport-1 well was approved. This program commenced in the first quarter of FY15.

PEL 95

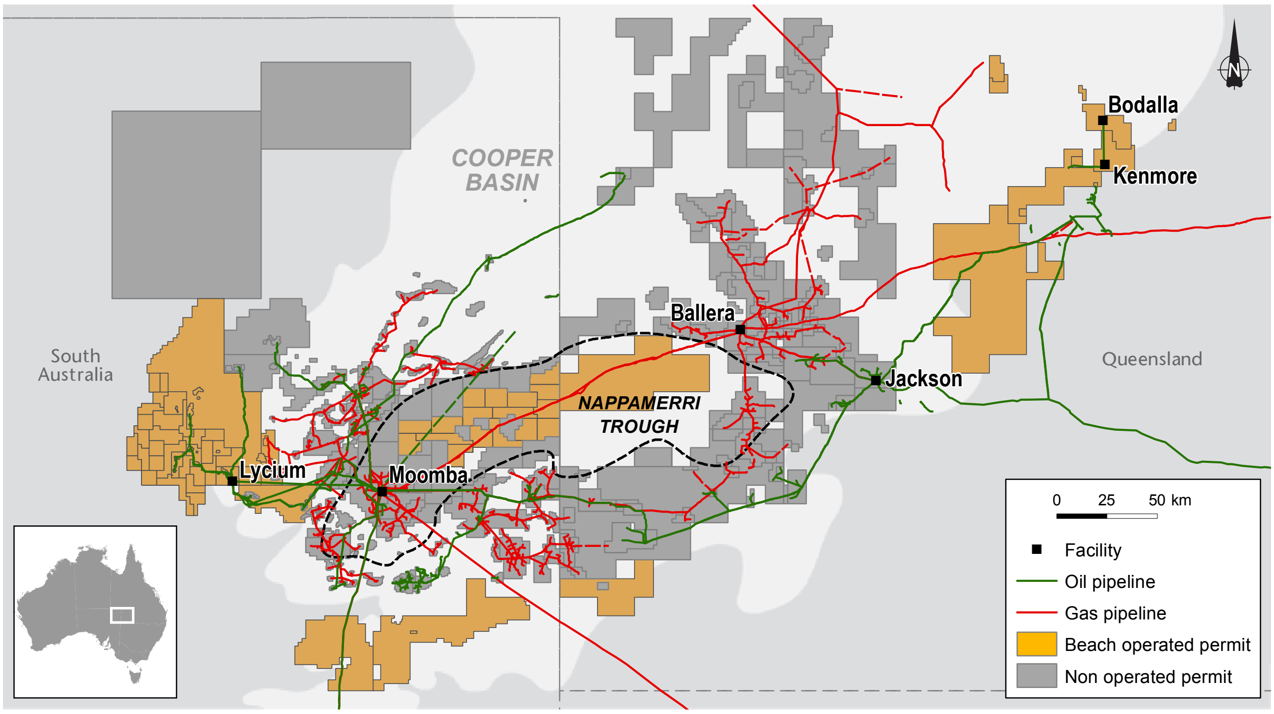
(Beach 50% and operator, Strike 50%)

Deep Patchawarra coals and shales at Marsden-1 are being considered for a future fracture stimulation program.

NTNG project

PRLs 33 to 49 (South Australia) and ATP 855 (Queensland)

Over the course of the year, seven wells were drilled in the NTNG project area, bringing the total wells drilled as part of the first exploration phase to 18 wells. Measurable performance improvements were achieved through the reduction in time taken to drill the wells, which resulted in flow-on cost benefits. Of note was the significant step improvement from 38 days to drill the 600 metre lateral section in the Murteree Shale section in the Holdfast-2 well to only 12 days for the 1,000 metre lateral section in the same formation at Boston-3.



Storms over Etty-1

A key element to building knowledge of the resource potential is being achieved through fracture stimulation, which connects the gas bearing rock back to the wellbore. The wells are then flow tested to determine the characteristics of the rock and the appropriateness of the stimulation treatment used. Four wells were stimulated and five wells flow tested during the year. The work undertaken to date continues to increase the understanding of the geology and technical approach to gas extraction from the target Permian formations.

Encouraging flow tests have been realised in the Nappamerri Trough to date, with rates of between 2 and 5 MMscfd. Preparations are well advanced for stimulation and flow testing of the remaining wells during the first half of FY15, which will incorporate the knowledge gained from activities to date. The program remains on track to meet its agreed timeframes as set out in the original joint venture agreements.

PRLs 33 to 49

(Beach 70% and operator, Chevron 30%)

PRLs 33 to 49 were awarded over PEL 218. The granting of the PRLs by the South Australian Government was in recognition of the work undertaken to date in proving up the continuous nature of the basin centred gas and shale gas plays, and the proven gas flows from multiple sections of the Permian target zone.
If the project proceeds to development and commercial production, tenure would be further extended by conversion to Production Licences.

Work across the PRLs has continued to focus on identifying those lithological zones that are more favourable for production, as well as stimulation techniques that will assist in improving the connection between the well and the target lithologies.

- Two wells, Rapid-1 (vertical) and Boston-3 (horizontal) were drilled, completing the drilling component of this stage of the exploration work program.
- Four wells were fracture stimulated, comprising the two horizontal wells, Holdfast-2 and Boston-3, and two vertical wells, Dashwood-1 and Boston-1.
- Five wells were completed and flow tested. These were Holdfast-2, Nepean-1, Marble-1, Boston-3 and Dashwood-1.
- Streaky-1 was briefly flowed during wellbore activities, confirming the presence of productive over-pressure gas from the Patchawarra Formation.
- Boston-2 and Rapid-1 are still to be stimulated and flow tested.

Flow testing and reservoir evaluation was compromised during the year for a variety of reasons. The high stress environment in the Nappamerri Trough is thought to have resulted in restrictions in several wells. In three of the wells, Marble-1, Nepean-1 and Streaky-1, this significantly delayed the timing between stimulation and flow back, which, together with down-hole obstructions, is likely to have negatively impacted the flow potential of these wells. The flow back of the Holdfast-2 and Dashwood-1 wells was delayed due to completion issues that required a snubbing unit for equipment recovery to complete the wells. Complications were experienced in the Boston field, with mechanical issues at both the Boston-1 vertical well and the Boston-3 horizontal well, preventing the placement of the planned stimulation program.

Knowledge gained from these challenges will be incorporated into future well design and operational practices.

ATP 855

(Beach 46.9% and operator, Icon 35.1%, Chevron 18%)

The Queensland Government recently passed legislation that extended the period of the work program for ATPs under the Petroleum and Gas (Production and Safety) Act (2004) by two years, which includes ATP 855. The Government has embarked on a tenure reform initiative, which provides the joint venture the opportunity to consult with the Queensland Government over this period to secure more flexible and longer term tenure arrangements over the ATP 855 permit for the longer term.

Hervey-1, Keppel-1, Geoffrey-1, Redland-1 and Etty-1 were drilled during the year. Keppel-1 showed promising potential, with the influx of high pressure gas requiring well control measures to be put in place to isolate the interval. As a result the well was plugged and suspended, with the well and the interval that delivered the natural gas flow currently under consideration for future assessment.

The fracture stimulation work in the four remaining wells in ATP 855 is scheduled to commence in September 2014 and has been awarded to Condor Energy Services Limited (Condor), an Australian company with new equipment from North America. Condor personnel have experience both in the Cooper Basin and internationally. Flow testing activities will commence shortly thereafter and are anticipated to continue early into 2015.

Queensland

Kenmore/Bodalla

(Beach 100%)

A three well oil development campaign was completed with two wells cased and suspended and expected on-line in FY15.

ATP 269

(Beach 93.21% and operator, Gidgealpa Oil 6.79%)

The Peregian-1 exploration well in south west Queensland was designed to test the oil potential of the Jurassic strata, but was plugged and abandoned after failing to intersect hydrocarbons.

ATP 732

(Beach 50% and operator, Bengal 50%)

Beach completed part of its farm-in program to earn 50% in ATP 732 with the drilling of one exploration well and acquisition of the 300 km² Nassarius 3D seismic survey. The Tangalooma-1 oil exploration well was drilled on the existing 50 km² Bellalie Creek 3D seismic data, with the primary objective being the Hutton Sandstone. The well failed to intersect hydrocarbons and was plugged and abandoned.

The prospects and leads generated from the 300 km² Nassarius 3D seismic survey will be used to optimise the location of the second exploration well in the farm-in program.

Redland-1

Non-operated Cooper/ Eromanga Basins

SACB and SWQ JVs

(Various interests)

The main focus for the year was the gas infill development program, which saw the drilling of 53 wells with a success rate of 100%. The fields targeted include Big Lake, Cowralli, Moomba, Baryulah and Barrolka. Whilst fields such as Cowralli underperformed when compared with rate expectations, there are wells in other fields such as Baryulah and Barrolka that outperformed when compared with expectations. Beach anticipates the ramp-up profile of the infill development program will provide a clearer picture of production growth in the first half of FY15. This clearer understanding of potential gas availability will be the driver for the initiation of the new oil linked gas contract with Origin Energy.

Fixed Factor Area (South Australia)

(Beach 20.21%, Santos 66.6% and operator, Origin 13.19%)

The operator is targeting increased gas production and reduced costs from existing conventional gas fields, with a target of 30% cost reduction by 2015, which is expected to mainly be delivered from pad drilling. The largest pad drilling project to date commenced in the Cowralli field, with 16 wells drilled from two pads. This pad style approach is expected to be one of the main drivers of future cost savings in the Cooper Basin. All the wells drilled in this program were brought on–line, albeit at rates below expectations. A development drilling program also commenced in the Big Lake field with 15 wells drilled. It is anticipated that a total of 30 wells will be drilled by the end of the 2014 calendar year. Pad drilling was also carried out in the Moomba and Tirrawarra North fields.

Successful gas development campaigns were completed with non-pad drilling at the Pelican, Kurunda, Narie, Cooba, Gooranie, Brolga, Moorari, and Moolion fields.

Queensland Gas

(Beach 23.20%, Origin 16.74%, Santos 60.06%)

Gas development programs on the Okotoko West, Munkah, Barrolka, Baryulah, Vega and Hera fields in Queensland were completed with all wells cased and suspended as Permian gas producers A gas exploration program in south west Queensland (ATP 259) discovered three new fields at Kaiden, Bolah and Marama West.

Unconventional Exploration

(Beach 20.21%, Santos 66.6%, Origin 13.19%)

The deep gas program continues with the joint venture exploring two separate plays: the REM play and the BCG play.

Within the REM play, the Moomba-191 vertical well was on-line for the full year, producing at an average rate of around 1.8 MMscfd. The Moomba-194 vertical was the second deep gas well tied-in to existing infrastructure and produced on test at a rate of 1.5 MMscfd for a month. Two other vertical wells, Roswell-1 and Moomba-192, were drilled, fracture stimulated and being tested at year end. The program also included two horizontal wells, Roswell-2 and Moomba-193. Moomba-193 had a 1,000 metre lateral drilled into the Murteree Shale, was fracture stimulated over ten stages and flow tested at 1.5 MMscfd. Roswell-2 had a 500 metre lateral drilled into the shallower Roseneath Shale, was fracture stimulated over five stages and flowed at 0.75 MMscfd.

Three vertical wells were drilled, fracture stimulated and flow tested in the BCG play. Gaschnitz-1 ST1 was stimulated over seven stages and flow tested at a rate of approximately 1 MMscfd. Langmuir-1 was fracture stimulated over ten stages and flow tested at approximately 1.5 MMscfd. Operational issues were resolved at Van der Waals-1, which is currently under review to identify the zones to be fracture stimulated.

Cooper Oil

In the Total 66 Block (Beach 30%), five wells were drilled in the Zeus-Minos-Tennaperra oil development campaign with all cased and suspended as Birkhead Formation oil producers. Further development drilling was carried out in the Cook (Beach 20%) and Irtalie (Beach 38.5%) fields. New discoveries were made at Cocinero (Beach 20%), west of the Cook field, and at Cooroo North West (38.5%), with the wells cased and suspended as oil producers. The Charo field (Beach 20%) in South Australia was appraised with the Charo-18 well cased and suspended as an analogue of the mid-Birkhead oil producer, Charo-7.

PEL 104, PEL 111, PPL 242

(Beach 40%, Senex 60% and operator)

Beach participated in the appraisal and development of the Growler, Spitfire, Snatcher and Mustang fields. Four wells drilled in the Spitfire oil field were cased and suspended after intersecting oil pay in the Birkhead Formation. Mustang-2 and Growler-13 were cased and suspended as future producers, while Mustang-3 encountered a water bearing Birkhead Formation sand and was plugged and abandoned. Beach elected not to participate in the casing of the Snatcher-11 and Growler-12 oil appraisal wells due to Beach interpreting an absence of reservoir.

Other Australian Exploration

Otway Basin

Beach various interests

Two vertical exploration wells, Jolly-1ST1 (PEL 495, Beach 70% and operator) and Bungaloo-1 (PEL 494, Beach 70% and operator) were drilled in the South Australian part of the Otway Basin. The objective of both wells was to evaluate unconventional targets being shale and tight sandstone in the Lower Sawpit Shale and Casterton Formation within the Penola Trough. In both Jolly-1ST1 and Bungaloo-1, cores were recovered from these targets and being analysed for hydrocarbon content and other parameters.

Both Bungaloo-1 and Jolly-1ST1 encountered encouraging gas shows over the Lower Sawpit Shale and Casterton Formation confirming the potential for unconventional gas plays within the Penola Trough. Better than expected reservoir quality in the Sawpit Sandstone was also noted at depths not previously drilled, opening up the potential for deeper conventional plays in the Penola Trough.

The Ostrea 2D seismic survey was acquired over an area within PEP 168 (Beach 50% and operator) in the Victorian part of the Otway Basin. The newly acquired seismic data and vintage data are currently being processed.

Beach continued to build its portfolio of onshore and offshore assets in the Otway Basin, with the award of onshore exploration permits, PEP 150 (Beach 50% and operator) and PEP 171 (Beach 75% and operator), and the acquisition of a 20% interest in the offshore T/49P exploration permit.

Bonaparte Basin

EP 126 (Beach 75% and operator, TOAG 25%)

The Cullen-1 exploration well was designed to evaluate the conventional and unconventional hydrocarbon potential of the largely unexplored Keep Inlet sub-basin of the onshore Bonaparte Basin. Subsequent to year-end, the well was cased and suspended for further evaluation after intersecting 1,000 metres of naturally fractured limestone and interbedded shale with elevated mud gas readings. Furthermore, 1,600 metres of dark marine shales were intersected and cored for analysis of gas content and other parameters.

Bungaloo-1

Gippsland Basin

(Beach 35%, Cooper 65% and operator)

Beach now holds a 35% interest in the BMG production licences in the offshore Gippsland Basin, with Cooper acquiring the remaining 65%. The next phase of BMG work will evaluate development options and determine the optimal plan for the next stage of a gas development project. BMG is currently in a non-production phase.

Maryborough Basin

(Beach 25%, Blue 75%)

Beach sold ATP 613, ATP 674 and ATP 733 to a subsidiary of Blue Energy Ltd.

Surat Basin

(Various Interests)

Beach relinquished exploration permits ATP 849 and ATP 904.

International

Egypt

Abu Sennan Concession

(Beach 22%, Kuwait Energy 50% and operator, Dover 28%)

El Salmiya-3, -4 ST1, and Al Jahraa-2 ST1 were drilled and completed and El Salmiya-2 ST2 tested. Oil and associated gas flowed from a new zone, the Kharita Formation, at the El Salmiya-2 ST2 well, with gross 2P reserves for the field now estimated at 12.9 MMbbl of oil and a contingent resource of 21.0 Bcf of associated gas. This result underlines the stacked potential of the El Salmiya field, which has now produced from the Abu Roash “C”, the Abu Roash “E” and the Kharita Formation.

The joint venture has commenced building a gas pipeline to a nearby government owned gas facility to enable increased oil production, currently constrained by gas flaring limitations.

North Shadwan Development Leases

(Beach 20%, BP 50% and operator, Tri-Ocean 30%)

The North Shadwan exploration permit expired, with the joint venture retaining Development Leases, NS377, NS385 and NS394. The final exploration well, NS 394-4, was plugged and abandoned after failing to intersect hydrocarbons.

Oil production from the NS377 and NS385 fields is continuing, with planning underway to access the oil reserves in the offshore Burtocal field.

Mesaha

(Beach 15%, Melrose Resources and operator 40%, Hellenic Petroleum 30% and Kuwait Energy 15%)

The Mesaha Block in southern Egypt was relinquished in good standing following the drilling of the Mesaha-1 exploration well in 2011/12. Extensive post-well analysis indicated that the targeted rift fill sequence was non-prospective for hydrocarbons.

El Qa’a Plain

(Beach 25%, Petroceltic 37.5%, Dana Petroleum 37.5% and operator)

The El Qa’a Plain Block was awarded following the EPGC International bid round in 2011. The PSC was signed on 19 June 2014 for a four year period. The area is located on the eastern side of the Gulf of Suez and is interpreted to be prospective for similar petroleum systems to those in the Gulf of Suez. A 3D seismic survey is planned for FY15.

Tanzania

Lake Tanganyika South

(Beach 100%)

Activities in Tanzania focused on the continuation of the baseline metocean study, designed to assist in the design of a drilling solution on the lake. Subsequent to FY14, Beach signed an agreement for the transfer of 70% of its interest in the Lake Tanganyika Block to a wholly owned subsidiary of Woodside Petroleum Limited. The Joint Venture will acquire transition zone 2D seismic and further marine 2D seismic, designed to firm up a selection of targets for both land-based and marine drilling options. Data acquisition is planned to commence in late 2014, with processing and interpretation of the data expected to be completed in 2015.

Bonaparte Basin drilling, flora and fauna

Romania

Est Cobalcescu Concession, Black Sea

(Beach 30%, Petroceltic Romania 40% and operator, Petromar 30%)

Beach participated in the drilling of the 01RX Cobalcescu South offshore exploration well in Block EX-28 Est Cobalcescu. The well was plugged and abandoned after intersecting minor gas shows in the upper Miocene sedimentary section. Planning is underway for the next well in the program.

New Zealand

PEP 52717

(Beach 50%, NZOG 50% and operator)

The lightly explored PEP 52717 is located in the Canterbury Basin, approximately 40 kilometres off the east coast of the south island. A well was drilled nearby in the 1980's, encountering gas with high liquids content. Reprocessing of 1,250 km of vintage 2D seismic data was completed, and a 700 km^2 3D seismic survey was acquired in late FY13 over the Barque and Tartan Wedge prospects. The 3D data is currently being processed.

PEP 52181

(Beach 25%, NZOG 35% and operator, TAG Oil 40%)

Located in the Taranaki Basin, west of the north island and in close proximity to the Kupe offshore gas field and the Kauri and Rimu onshore oil fields, PEP 52181 has oil, gas and liquids potential in the Kaheru prospect. Kaheru is covered by 3D seismic and is in shallow water (approximately 25 metres depth). The Kaheru prospect will be drilled when a jack-up rig becomes available in the second half of 2015.

REVIEW OF OPERATIONS – Drilling Program

The drilling program for FY14 comprised of 122 wells, 116 of which were drilled in the Cooper and Eromanga Basins, two in the Otway Basin and one spudded in the Bonaparte Basin. Internationally, four wells were drilled in Egypt and one in Romania. The exploration drilling success rate over the 11 years since the start of FY04 stands at 45%, and the appraisal success rate at 79%. Total exploration and appraisal success over the same period is 58%.

Area	Category	Wells drilled	Successes	Success Rate
Cooper/Eromanga	Exploration - Oil	16	5	31%
	Appraisal - Oil	12	8	67%
	Development - Oil	22	20	91%
	Exploration unconventional - Gas	9	9	100%
	Exploration - Gas	3	3	100%
	Appraisal - Gas	1	1	100%
	Development - Gas	53	53	100%
Total Cooper/Eromanga Basins		116	99	85%
Otway	Exploration - Gas	2	1	50%
Egypt	Exploration - Oil	1	1	100%
	Development - Oil	3	3	100%
Romania	Exploration - Gas	1	0	0%
Total other		7	5	71%
Total		**122**	**104**	**85%**

Note: Cullen-1 well in the Bonaparte Basin spudded in FY14, TD in FY15

Year	Number of wells (1)		Drilling success rate		
	Exploration	Appraisal	Exploration	Appraisal	Total
FY04	12	5	17%	60%	30%
FY05	7	8	14%	100%	60%
FY06	11	8	45%	88%	63%
FY07	35	31	34%	81%	56%
FY08	28	34	32%	68%	52%
FY09	14	16	64%	75%	70%
FY10	13	8	31%	88%	53%
FY11	13	4	54%	100%	65%
FY12	32	14	47%	86%	59%
FY13	43	11	60%	82%	64%
FY14	32	13	59%	69%	62%
Total	**240**	**152**	**45%**	**79%**	**58%**

(1) *Excludes coal seam gas drilling*

REVIEW OF OPERATIONS – Reserves and Resources

2P reserves as at 30 June 2014 were 85.6 MMboe. The reduction in reserves was due to production of 9.6 MMboe, which was partially offset by:

- Successful appraisal drilling, which resulted in EUR increases for oil assets in PEL 91 and PEL 92 – specifically Bauer, Pennington and Stunsail;
- Egyptian reserves increases of 1.2 MMbbl due to the successful appraisal of the El Salmiya oil field; and
- Successful appraisal drilling in PEL 104, which increased EUR specifically for the Mustang and Spitfire oil fields.

A complete assessment of reserves relating to the SACB and SWQ JVs is in progress and expected to be completed in 2015.

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

2P Reserves by category as at 30 June 2014					As at 30 June 2013
	Oil (MMbbl)	**Gas liquids (MMboe)**	**Gas (PJ)**	**Oil equivalent (MMboe)**	**Oil equivalent (MMboe)**
PEL 91	5.4	-	-	**5.4**	5.3
PEL 92	2.9	-	-	**2.9**	4.5
PEL 111	0.2	-	-	**0.2**	0.3
PEL 104	1.0	-	-	**1.0**	1.5
BPT Qld	0.4	-	-	**0.4**	1.0
PEL 106	-	0.5	8.5	**2.0**	2.4
SACB and SWQ JVs	7.6	10.1	315.3	**71.9**	76.8
Total Cooper/Eromanga	17.6	10.6	323.8	**83.9**	91.7
Egypt	1.7	-	-	**1.7**	0.6
USA	-	-	-	**-**	0.3
Otway	-	-	-	**-**	0.2
Total	**19.3**	**10.6**	**323.8**	**85.6**	**92.7**

NTNG Contingent Resources

The independent resource estimating firm, DeGolyer and MacNaughton evaluated the well results from recent and historical activities together with geological information from wells drilled but as yet untested. Beach has drilled 12 wells in the South Australian section of the play and a further 6 wells in the Queensland section. Core and log data from the wells demonstrate the presence of a significant quantity of potentially moveable hydrocarbons. Recovery of natural gas has been demonstrated across the Nappamerri Trough during short term and extended production tests conducted in Permian-age lacustrine and fluvial sediments of the Toolachee Formation, Daralingie Formation, Roseneath Shale, Epsilon Formation, Murteree Shale, and Patchawarra Formation. As a result of the work undertaken, DeGolyer and MacNaughton estimated, as at 30 June 2014, an increase of 305 Bcf (55 MMboe) net to Beach in 2C contingent resources for the NTNG project.

Reserves at 30 June 2014									
	Developed (MMboe)			Undeveloped (MMboe)			Total (MMboe)		
	1P	**2P**	**3P**	**1P**	**2P**	**3P**	**1P**	**2P**	**3P**
Beach operated*									
Oil	4.7	10.0	18.7	-	-	-	4.7	10.0	18.7
Gas/Gas Liquid	0.4	0.7	1.1	1.0	1.3	1.8	1.4	2.0	2.9
Total	5.1	10.7	19.7	1.0	1.3	1.8	6.1	12.0	21.6
SACB and SWQ JVs									
Oil	1.0	4.2	8.4	0.8	3.4	9.9	1.8	7.6	18.3
Gas/Gas Liquid	7.2	27.4	52.7	17.5	36.9	86.3	24.7	64.3	139.0
Total	8.2	31.6	61.1	18.3	40.3	96.2	26.5	71.9	157.3
Egypt									
North Shadwan	0.1	0.2	0.2	0.2	0.3	0.6	0.3	0.5	0.8
Abu Sennan	-	-	-	0.5	1.2	2.0	0.5	1.2	2.0
Total	0.1	0.2	0.3	0.6	1.5	2.5	0.7	1.7	2.8
Total reserves	**13.4**	**42.5**	**81.1**	**20.0**	**43.1**	**100.5**	**33.4**	**85.6**	**181.7**

Contingent resources at 30 June 2014					As at 30 June 2013
	Oil (MMbbl)	**Gas liquids (MMboe)**	**Gas (PJ)**	**Oil equivalent (MMboe)**	**FY13 Oil equivalent (MMboe)**
Beach operated conventional *	1.5	0.7	15.1	**4.8**	0.7
SACB and SWQ JVs conventional	7.5	11.2	393.8	**86.4**	102.0
Total Cooper Basin conventional	9.0	11.9	408.9	**91.2**	102.7
Gippsland/Carnarvon	2.5	0.8	44.4	**10.9**	25.4
Egypt	0.7	-	2.7	**1.1**	1.1
Otway	-	-	5.0	**0.9**	0.8
Total conventional	12.2	12.7	461.1	**104.1**	130.0
Beach unconventional	-	-	1,608.5	**276.5**	221.2
SACB and SWQ JVs unconventional	-	4.1	475.7	**85.9**	97.7
Total Cooper Basin unconventional	-	4.1	2,084.2	**362.4**	318.9
Total resources	**12.2**	**16.8**	**2,545.2**	**466.5**	**448.9**

** Includes fields operated by Senex*

Respect

Care, **respect**, integrity, trust – a preferred partner and employer of choice

SUSTAINABILITY REPORT

Managing Director's message

Our goals of recognition nationally and internationally as an innovative and successful explorer, discoverer and developer of oil and gas; being a partner of choice by industry peers; and the delivery of sustainable value to shareholders are underpinned by how we at Beach work to achieve those goals. We focus on delivering responsible performance through:

- Safety taking precedence in all operations;
- Team oriented, quality work and sustainable performance;
- Care, respect, integrity, trust – a preferred partner and employer of choice;
- Initiative, creativity, innovation, responsibility, accountability and pride; and
- Ethical and responsible conduct.

In FY14, there has been work to further develop how we can demonstrate our commitment to responsible performance through:

- Enhancing the governance structure and supporting management systems and processes;
- Further work on how Beach can align itself with globally recognised sustainability reporting frameworks to develop a scorecard for its activities and outcomes;
- Reporting on performance for the previous year and an increase in performance data; and
- Continued development of a sustainability strategy.

In our previous report, material areas for focus were Our People, Our Communities and Our Environment. These remain central to us but this year we have added a further pillar which is economic performance.

Please read further on Beach's progress.

We welcome and we value all of our stakeholders continued feedback on our report, our initiatives and our progress.

Reg Nelson, Managing Director

OUR APPROACH AND PERFORMANCE – Overview

Performance Overview

In last year's report Beach listed key outlooks it was aiming to achieve in FY14. They are listed in the table below with Beach's scorecard in achieving or progressing those areas.

Key FY14 Our People outlook	How Beach performed	Status
Improve safety leadership culture and capability via safety leadership workshops.	Beach held a contractor safety leadership program (including Beach participants) and conducted the annual safety culture survey.	✓
	Continue to focus on safety leadership programs for FY15.	◆
Further work on alignment of contractors with Beach's health and safety expectations and standards.	Beach held contractor alignment forums and contractor safety leadership programs.	✓
Improve integration of safety considerations into purchasing decisions.	Beach consulted an external advisor to review its contract management processes and policies.	◆
Refinement of fatigue management programs and implementation of fatigue management policies and procedures.	Fatigue management programs were developed and delivered to frontline supervisors and employees in FY14.	✓
	Continue further refinement of fatigue management programs and develop fitness for work policies and procedures.	◆
Employment of an Organisational Development Manager to target areas of career development, resources and staffing levels, introduction of performance development review program.	An Organisational Development Manager was employed to address target areas. Performance development review program was introduced in October 2013.	✓
Key FY14 Our Communities outlook	**How Beach performed**	
Continue to extensively support indigenous programs.	Beach supported various indigenous programs including the Dieri return to country trip, the Aboriginal Youth Leadership Program and McLeod Challenge with Adelaide Football Club.	✓
Complete a waste management review and develop a strategy to improve current practices and meet future business requirements.	Beach initiated a waste management strategy.	✓
	Review the results of the waste management strategy.	◆
Key FY14 Environmental outlook	**How Beach performed**	
Continued support of environmental and conservation programs.	Undertook environmental offsets and made a contribution to Witchelina Station.	✓
Conduct a review of erosion management measures.	Monitoring points were established and a summary report was compiled.	✓
	Develop a remediation management plan.	◆
Continued focus on water management.	Additional groundwater monitoring bores were installed and effort was made to understand water usage in the Cooper Basin.	✓
	Continue to install groundwater monitoring bores as required.	◆
Continued reviewing of options for increasing pipeline capacity and reduce trucking.	Booster pump was installed and a 4 km pipeline was constructed between Windmill and Callawonga.	✓

Achieved ✓ Ongoing ◆

Sustainability strategy and governance structure

In FY14, Beach continued to develop and refine its sustainability strategy. In June 2014, Beach formalised its sustainability governance structure by appointing a dedicated executive responsible for coordinating Beach's sustainability activities. A Sustainability Steering Committee was also established to assist in driving sustainability initiatives and integrating sustainability considerations into everyday business operations. As the governance structure was established well into the reporting period, it will take time for Beach to improve its understanding of material issues and to set measurable goals and targets to manage and improve its impact on the areas in which it operates. The following sustainability reporting areas were identified as being material to Beach and its stakeholders:

Our People:

— Health and safety of our employees and contractors;

— Wellbeing of our employees and contractors; and

— Equity and diversity.

Our Communities:

— Indigenous participation;

— Heritage management; and

— Contribution to local communities.

Our Environment:

— Operational footprint;

— Water management;

— Climate change and emissions; and

— Spills to the environment.

The further area of economic sustainability has also been identified.

Sustainability strategy outlook

Our sustainability outlook for the coming year is to:

- Continue to consult with our stakeholders to confirm that it has identified areas of interest;
- Continue work on formalising the sustainability strategy and framework;
- Develop position papers on material issues; and
- Identify appropriate indicators for future reporting and implement a data management system.

Sustainability report scope

This report covers assets owned and operated by Beach whether in its own right or as operator for a joint venture for the period 1 July 2013 to 30 June 2014. Beach's assets include projects under exploration, development and execution phase. Data on people includes all employees and contractors working within those operations and our international employees. Beach reports on Health, Safety, and Environment (HSE) information from operations within its control. Beach policies on anti-corruption, its code of conduct and HSE apply to all operations under its control and to all employees and contractors involved in these operations. Operations and activities in Egypt, Romania, and New Zealand and its non-operated Cooper Basin activities are not included in the scope of the report unless specifically stated. The scope of this sustainability report is confined to Beach's performance during FY14 on sites that are operated by Beach, namely:

Production

— Cooper/Eromanga Basin (conventional oil and gas).

Exploration

— Cooper/Eromanga Basin (unconventional gas exploration and conventional oil and gas exploration);

— Tanzania (exploration);

— Bonaparte Basin (exploration); and

— Otway Basin (exploration).

Our operations

Beach's operations are principally located in South Australia where its head office and the majority of its Cooper Basin activities are located. All of our operated production is from the Cooper and Eromanga Basins and is subject to the environmental approval processes of the South Australia and

Queensland State Governments. Further information on the environmental approvals for activities in these areas can be viewed on our web site.

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

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

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

- Storage facilities for gas and oil;
- Gathering systems to collect hydrocarbons produced from wells;
- Treatment of hydrocarbons – typically to separate hydrocarbon liquids and gas and remove water or other components from hydrocarbon products;
- Flowlines to transport product and water separated from the hydrocarbons around sites;
- Wastewater treatment and handling systems, including water holding ponds and evaporation ponds;
- Administration, utilities and accommodation facilities; and
- Access tracks and roads.

Ethical and responsible conduct

A key Beach value is ethical and responsible conduct. Beach's anti-corruption and anti-bribery policy, known as the Business Practices Policy and Guidelines applies to all employees and contractors working for Beach, all directors, business partners and third parties conducting business on company's behalf. The Business Practices Policy and Guidelines prohibits bribery in any form and clearly states Beach's position on making political contributions, giving or receiving gifts, third party facilitation, and transparency of payments to government officials. Suspected breaches of this policy are encouraged to be reported under the Complaint Resolutions Policy or the Whistleblower Policy.

Our stakeholders

All individuals, organisations, and community groups affected by Beach's operations are considered stakeholders. The primary stakeholders for Beach include its employees, contractors, regulators, joint venture partners, landholders, shareholders and local and indigenous communities. Beach aims to create and maintain a positive impact in the communities where it operates. Beach knows that understanding stakeholder concerns and communicating with stakeholders to address their issues is crucial to the Company's growth. Beach intends to continue in its development of better communication processes for both internal and external stakeholders.

How we engage with our stakeholders

Employees – social functions, surveys, program evaluations, performance reviews, staff presentations, 1:1 coaching, team development sessions and regular management meetings.

Communities/Indigenous groups/ Landholders – regular meetings, support/ participate in community programs and events, consultation prior to activities and field trips.

Contractors – through regular meetings and forums.

Regulators – meetings, representations on industry associations and site visits.

Shareholders – through the annual general meeting, investor presentations, our website, correspondence, engagement with our dedicated investor relations team, webcasts and roadshows.

JV Partners – through regular meetings and workshops.

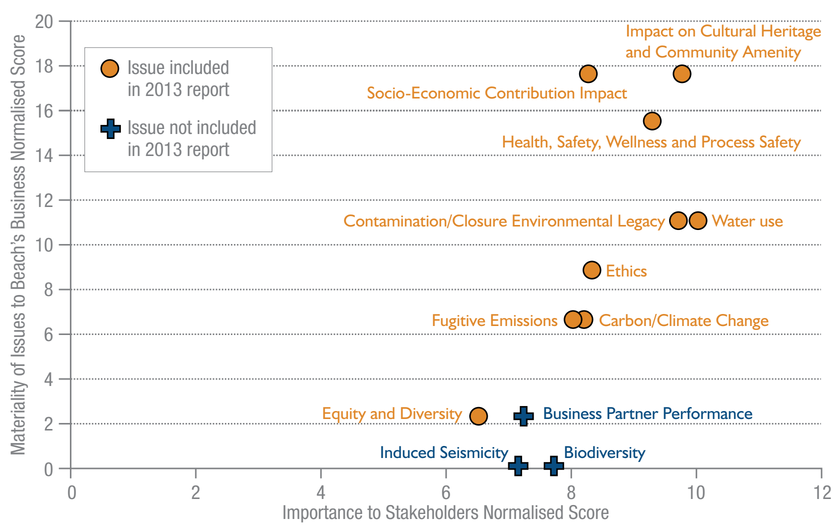
Reporting guidelines and verification

Beach conducted an internal review of its FY13 sustainability report against the IPIECA (The International Petroleum Industry Environmental Conservation Association) global oil and gas industry guidelines for social and environmental issues and the GRI indicators. Beach reported against a number of these indicators in that report. This year, Beach has reported against additional indicators including flared gas, number of spills, workforce training and development and anti-bribery and corruption. These are found throughout the report or in the performance data table at the end of this report.

Beach believes being transparent and providing information on its operations and their impacts assists Beach to manage the issues that are key to Beach's long term viability and social licence to operate and its stakeholders understanding of those issues. Whilst the current report is not verified by a third party, Beach understands the importance of having it externally verified and is working towards having it independently reviewed in the near future.

Material issues and our focus

In FY13, Beach engaged an external consultant to identify issues material to its business. Based on trend analysis and internal stakeholder input, key material issues of importance to the stakeholders were identified and are mapped on the materiality matrix below:



OUR APPROACH AND PERFORMANCE – Our People

Health and safety

Beach's core values give health and safety precedence in all operations. It is working hard to ensure this is a value held by all our employees and contractors. In the last few years, Beach has worked on developing and improving its HSE management systems and processes. A significant number of activities were undertaken in FY14 supporting improvements in health and safety practices. In March 2014, an audit to assess Beach's progress against Beach's three year improvement strategy gave an overall score of 85%, a substantial increase from a score of 76% received in FY13. The results indicated that there was continued improvement of the HSE systems.

An area of concern for Beach in the past has been its injury statistics with increased working hours of contractors. In FY14, LTI's decreased by two, and LTIFR dropped to 4.59 from 5.35 in FY13. Whilst there was a slight drop in LTI and LTIFR numbers, Beach LTIFR still sits above the national industry average of 0.8 (established in 2011). Beach recognises the areas where improvements need to be made and is working on them by developing three year Strategic HSE plans.

This year, Beach had its contractor management processes, policies and governance arrangements reviewed by an external consultant, five categories were identified for recommended improvement initiatives. Beach intends to recruit further resources to coordinate the implementation and closing out of these recommendations.

This year, Beach reviewed its Emergency Management and Response Plan.

HSE Systems Improvement Strategy Audit Score

FY13	76%
FY14	85%

Number of LTIs

FY13	7
FY14	5

Lost Time Injury Frequency Rate

FY13	5.35
FY14	4.59

Fatigue management and fitness for work

Fatigue can pose a major health and safety risk in the oil and gas industry as it can lead to human error, and potentially serious accidents. In light of this, it is crucial that fatigue related risks are managed effectively. Last year, Beach reviewed existing fatigue management practices, identified gaps and made recommendations to effectively manage fatigue. This year, Beach worked on further refining its fatigue management programs and is developing fitness for work policies and procedures.

Communication, training and culture

The Safety Culture Survey, which commenced in FY11, is designed to assist the company to better understand the safety culture of its staff, and develop actions and strategies for improvement. Overall, the results from the Safety Culture Check for FY14 are positive and indicate that Beach has at least maintained, or improved the safety culture in most areas, is proactive and on the right path to a robust safety culture.

Areas of improvement identified were:

- More rigorous contractor pre-qualification and enforcement of controls where requirements are not met;
- Greater engagement with staff on the safety policy and safety vision for Beach;
- More proactive response to longstanding hazards and general equipment maintenance;
- More timely response to closing out incidents and sharing more practical information on lessons learned;
- Greater recognition of staff members living the safety policy, safety vision, safety values;
- More work to align contractor safety expectations, standards, and performance at the field level.

HSE system developments

Beach worked on adopting a new compliance management system, which is expected to streamline processes and improve efficiency in the health and safety area. The compliance system is currently being tested and is expected to be online in FY15.

CASE STUDY: Contractor Safety Leadership Program

Beach continued to hold contractor alignment forums to ensure that its contractors were aware of company's expectations and in line with its organisational values and standards. In March 2014, Beach organised a Contractor Safety Leadership Program which involved a four day facilitator led meeting with 11 leaders from various contractor organisations to the company. The aim of this program was to provide leaders the opportunity to come together and discuss various HSE matters that affect people, teams and organisations working in the Cooper Basin.

This program provided leaders with theoretical and practical knowledge, skills and confidence in core leadership topics. It also gave them the opportunity to meet with peers from other organisations and develop response and action plans for common HSE issues that affect everyone working in the Cooper Basin.

The program received extremely positive feedback from the attendees and was considered a success. Given the success of this program, another one is scheduled for 2015.

Commitment to employees

Beach recognises that the capability of our employees is integral to its overall success. As such, it is essential to ensure our employees are equipped with the right skills and knowledge to deliver on the present, and future, company requirements.

In September 2013, Beach employed an Organisational Development Manager to oversee company-wide training and development, succession plans for critical roles and provide change management support as the company continues to grow.

In October 2013, Beach introduced a new Performance Development Review Program to facilitate open, effective and regular feedback discussions regarding performance and development priorities across all staff. An outcome from this process was a greater awareness of the company training needs, and alignment of focus areas to corporate goals. As a result, a training calendar was established, comprising of professional development, people management, systems, safety and compliance training.

Further, two new programs have been created, including a Leadership Development Program and Frontline Supervisory Skills Program. Both programs will commence in FY15 with a focus on developing specific people management competencies as well as leadership fundamentals.

In addition, Beach has commenced a project that will assess its field operator's capability to ensure the required level of competency is achieved. As a result, Beach is currently developing a competency assessment tool, and intends to have this process implemented by 2015. The competency assessment will certify that in addition to having the required experience, technical skills, knowledge and behaviour to perform the job, the employee also applies these competencies consistently, safely and in accordance with relevant procedures and standards.

In addition to our programs, Beach has implemented an online Corporate Induction and suite of online compliance modules. This enables some mandatory training to be accessed from any location and at a time that is suitable for the employee.

Feedback is regularly sought across the workforce throughout the year to ensure continuous improvement and refinement of our programs and initiatives. Employees are invited to attend focus group sessions, participate in surveys and complete program evaluations. In addition, numerous

presentations are delivered to all staff, to update staff on any changes within the company and/or upcoming initiatives. Anecdotal feedback is often gathered through 1:1 coaching, team development sessions and regular management meetings.

Health and wellbeing

Beach is committed to providing a safe and healthy working environment for its workforce. In the FY14 employee opinion survey (83% response rate) responses indicated that:

- 97% of employees believed that Beach values the health and wellbeing of its staff (100% in 2012); and
- 97% of employees believe Beach provides an environment and services that support mental and physical well-being (86% in 2012).

Beach has a range of initiatives and programs aimed at employee wellbeing which were reported in the FY12 annual report. These included company sponsored sporting opportunities, healthy eating options, annual flu injections, regular health and medical assessments, an Employee Assistance Program that offers assistance and counselling services to employees and their families and, for field based personnel, gym facilities.

Employee opinion survey

The employee opinion survey has been used as a tool to engage with employees to better understand employee satisfaction. It was first introduced in 2011, with the FY14 survey comprising 80 questions across twelve categories. The results of the FY14 survey were positive. In comparing the FY12 and FY14 results there were improvements in certain categories, however, continuous improvement should always be targeted. The participation rate for the survey was high with 83% of employees completing it.

Actions taken by Beach which were highlighted by employees as most significant included:

- Recruitment of additional staff to assist with workload;
- Creation of more office space;
- Improving communication methods;
- Refinement of company's strategic direction;
- Restructure of organisation's hierarchy; and
- Introduction of Health and Well-Being initiatives.

Key areas identified for continuing improvement were identified as:

- Company's response to internal and external issues;
- Continued improvement in staffing levels and workload levels;
- Knowledge and information sharing in and between teams; and
- Management systems and processes as Beach grows.

Equity and diversity

Beach has a highly competent and diverse team of 208 people (at 30 June 2014), supported within a culture which encourages its workforce to continue to improve and develop. Key principles of Beach's diversity policy include:

- Recruiting on the basis of skills, qualifications, abilities and achievements;
- Encouraging personal and professional development to benefit Beach and the individual;
- Aiming to be an employer of choice and to provide a family friendly work environment (10% of Beach's workforce is part time and 2% is casual); and
- Establishing measurable objectives for achieving diversity.

Results from the 2014 employee opinion survey indicate that 94% of employees believe Beach actively fosters diversity across the company (86% in 2012).

Beach's diversity objectives include:

- Having at least one female board director at all times;
- Increased recruitment of women in technical roles; and
- Increasing participation in leadership initiatives and in training and career development opportunities.

The progress in achieving these objectives can be found in the Corporate Governance statement in the annual report.

Gender diversity

The resources sector has historically had a low female workforce representation and research shows that very few of the women hold executive or senior management roles. Beach currently has a workforce comprising 30% women, which is almost twice the industry average in the resource sector. Beach has two female board members from the existing five non-executive directors, as well as two female senior executives from the existing seven senior executive team.

Gender Split

Male	70%
Female	30%

Workforce Split

Full time	88%
Part time	10%
Casual	2%

FY15 Outlook – People

- Implement competency based assessment for field employees.
- Complete review of Emergency Management Plan.
- Employment of a contracts manager.
- Active recruitment drive to fill up to 70 roles in Australia.
- Implementation of a fitness for work policies and procedures.

OUR APPROACH AND PERFORMANCE – Our Communities

Beach recognises that it has a responsibility to our local communities. Its goal is to build strong relationships with the communities in which we work and demonstrate that Beach is:

- A good corporate citizen through the employment of local labour and contractors where possible;
- Supportive of worthwhile causes in these regions;
- Clear and timely in communicating its operational plans; and
- Committed to minimising impacts on the community during operations and leaving a positive social legacy after the operations.

In FY14 Beach invested $1.3 million in programs aimed at leaving a positive legacy in its communities. Investments were spread across initiatives aimed at improving indigenous participation, health and wellbeing of our communities, education, conservation, and the arts.

Indigenous participation

There are a number of indigenous groups whose land covers the area in which Beach operates in the Cooper Basin. The main groups are the Edward Landers Dieri, Yandruwandha–Yawarrawarrka and Wangkangurru–Yarluyandi Peoples. Beach is committed to providing traditional owners with opportunities to participate in training and employment programs. It looks for opportunities to provide employment within its business and it also sponsors a number of community led programs (refer to case studies).

Beach strives to create and maintain meaningful and positive impacts on the communities in which it operates. For example, the Dieri people are using production royalties for various community development, healthcare, as well as education programs.

In its ongoing efforts to increase community awareness on hydraulic fracturing, Beach organised an open discussion and QandA session between the Yandruwandha–Yawarrawarrka Traditional Landowners Aboriginal Corporation (YYTLOAC) Board and Senior Beach Technical and Environmental representatives. This initiative was well received by the YYTLOAC and Beach intends to extend these information sessions to other Aboriginal communities where it operates.

This year, work commenced on separating the indigenous engagement policy from the HSE policy as it was identified that an individual policy would provide better guidance on aboriginal engagement and help drive improved initiatives in this area. The new policy is currently under review.

Heritage management

Beach makes every effort to ensure its Cultural Heritage Management procedures are adhered to in the field and that cultural heritage awareness is high amongst staff and contractors both in the field and the office. Employees and contractors must be aware of their cultural heritage obligations and team members undergo an induction about cultural heritage issues specific to each project. Beach has a dedicated officer who identifies areas of heritage significance prior to commencement of works, and who communicates exclusion zones to the project team. Traditional Owners are consulted prior to undertaking any exploration or production activities in the Cooper Basin. In an event of an incident however, Beach responds in an efficient and timely manner. In March 2014, a cultural heritage incursion occurred while work was going on at PEL 218 Boston well. In response to the incident, Beach worked closely with the YYTLOAC via a meeting, delivered an investigation report and facilitated a field trip. No cultural heritage sites were disturbed and the YYTLOAC were satisfied with Beach response to the incident.

CASE STUDY: Dieri People - Return to country trip

Beach values its relationship with the indigenous community and continues to support it through various programs and sponsorships. This year, one of the families of the Dieri People, which constituted of a total of 42 persons, embarked on a return to country field trip. Beach supported the intent of the trip by providing financial and logistical support, enabling the Dieri to maintain their ancestral connections and educate the younger generation in their cultural heritage.

CASE STUDY: Beach Energy Aboriginal Youth Leadership Program and McLeod Challenge Adelaide Football Club

The Beach Energy Aboriginal Youth Leadership Program and Beach Energy McLeod Challenge provide school students with experience, skills and knowledge that assist in building self-determined and independent futures. The programs enable the use of sport and mentoring to engage and educate Indigenous youth and are unique in their focus on the continued mentoring of participants. Beach, in partnership with the Adelaide Football Club as well as Andrew and Rachael McLeod, has established these programs which allow access to similar opportunities that Andrew McLeod experienced during his career.

The Beach Energy McLeod challenge is a nine-a-side football competition that provides a platform for identifying year eight and nine students for the Beach Energy Aboriginal Youth Leadership Program. This year, over two-hundred students from across South Australia have participated in the Beach Energy McLeod Challenge from regional and metropolitan schools. The Beach Energy Aboriginal Youth Leadership Program is aimed at helping to improve selected and motivated indigenous youth's skills and knowledge in leadership. This year 62 Aboriginal school children participated in camps in Adelaide and in the Anangu Pitjantjatjara Yankunytjatjara (APY) lands. Expected program outcomes include improved school attendance and employment rates, not only among those selected for the program but in their communities as a whole, with those participating acting as role models within their community.

Beach's sponsorship of the Adelaide Football Club's Indigenous Youth Programs reflects the company's support of initiatives which facilitate: indigenous capability building in education, sport, health and employment; support of the communities in which we operate and youth development.

A natural evolution of the indigenous youth programs partnership was the support of the Australian Football League's Indigenous Round at Adelaide Oval. Indigenous Round celebrates Australia's indigenous culture and acknowledges the stories and impact of our athletes, who contribute to building our community both on and off the field. The Beach Energy McLeod Challenge Grand Final was played as curtain raiser and provided a fantastic platform of recognition for the students that participated.

Contribution to local communities

Beach's values underpin the community sponsorships which it supports. These extend from South Australia to Tanzania. The strength of Beach's reputation is supported by the quality of the sponsorship it delivers within the community, which promote sustainable, safe, ethical, responsible and innovative conduct. Beach provides sponsorship to (not in order of priority):

- Environmental and conservation projects (38%);
- Youth education programs (7%);
- Health and wellbeing programs (5%);
- Arts, sports and culture (13%);
- Oil and gas industry bodies (3%); and
- Other/Indigenous/Communities in which Beach operate (34%).

The Starlight Children's Foundation is an Australian charity that brightens the lives of seriously ill and hospitalised children, and their families, by providing the opportunity to be distracted from the pain and stress of their treatments and to help them laugh and play again.

Beach is proud to participate in the Safety for Starlight Program. Beach maintains the highest health and safety standards and this year we took the opportunity to support the Starlight Children's Foundation through their safety orientated initiative. Beach has aligned its annual production HSE objectives with the program and Beach contributes money when an objective is achieved. For example for each emergency exercise conducted, for each procedure reviewed and for each HSE alert or knowledge sharing, a specified sum is donated.

Through the Safety for Starlight Program Beach is helping Starlight deliver vital programs for Starlight Children and their families across our Australian community. Within the financial year Beach's contribution has helped to transform the lives of 144 children in South Australia.

FY15 Outlook – Communities

- Empowering communities through education and training initiatives- Development of education programs for Dieri people in the resources industry.
- Complete reviewing the internal Indigenous Engagement Policy.
- Continue support of indigenous programs.

CASE STUDY: Young Indigenous Art and Writers Workshops and Awards Children's Charity Network

Beach's support of the Young Indigenous Art and Writers Workshops and Awards is focussed on providing writing and illustration workshops, in disadvantaged or under-resourced schools, in outback and remote communities across Australia. Over the past three years, 740 workshops have been held with students from preparatory to year twelve students. The workshops were created with the aim to increase aboriginal children's confidence by developing their natural artistic skills and teaching them to express themselves in art and words. The objective is to assist them in achieving their path to formal education. This program has the support of Tribal Elders across Australia.

Beach's sponsorship has reached five schools in the upper Eyre Peninsula with three repeat workshops taking place since their establishment. The sponsorship has enabled regional community residencies which are a wonderful way to bring authors and illustrators to schools, as well as for students to connect the books and artwork with their creators. Beach's sponsorship has provided books, notebooks, colouring materials and publications which were delivered during workshops and mentoring sessions.

Residencies such as those supported by Beach during the workshops, inspire students, increase attendance and enrich students' skills. Student engagement in art, reading and writing noticeably increased following the workshops, with many students independently writing their own books at home and bringing them to school. Staff have reported that having the artist and author in residence helps students to make the link between classroom-based learning and authentic and contextual real life experiences.

OUR APPROACH AND PERFORMANCE – Our Environment

Beach believes in continually improving its environmental performance. Within the context of its role as an oil and gas explorer and producer, Beach recognises its responsibility to understand and appreciate the environment, and work in its best capacity to minimise the environmental footprint. The environmental aspects of Beach's operations are specifically governed by environmental requirements integrated into operational procedures. The content of these procedures is driven by the environmental management plans that Beach produces as part of its environmental approval for all activities in Australia.

Beach continually strives to recognise and understand its high impact areas to ensure close monitoring and improved management.

Minimising our footprint

Beach has strict environmental controls in place to minimise the impact of exploration and production activities on the environment. It believes in leaving a positive legacy, and site rehabilitation is an extremely important element of this. Each project has its own specific rehabilitation requirements. Field supervisors are continually monitoring performance to ensure works undertaken comply with these requirements. In addition, Beach engages independent environmental consultants to audit its rehabilitation performance, and each site is progressively audited over a period of time. In South Australia Beach is required to undertake environmental offsets which can be achieved through offsetting an area outside the license area or via payment into the Native Vegetation Fund. In FY14, Beach achieved its Significant Environmental Benefit obligations by contributing to Witchelina station, a private nature reserve, operated by the Nature Foundation.

This year, Beach continued to review options for increasing pipeline capacity, introducing additional pipelines and reducing trucking activity. In November 2013, Beach installed a booster pump at the Lycium facility which increased the pipelines capacity and consequently reduced the daily trucking traffic by 4 trucks. Additionally, a 4 km oil flowline between Windmill and Callawonga was constructed which became operational in March 2014.

Water management

Water is central to Beach's business and critical for production. It is used in operations for fracture stimulation, and domestic use in camps and offices. Beach recognises that responsible water use and continual improvement in water management is important for its business, communities and the environment. In FY14, Beach continued its focus on water management and installed groundwater monitoring bores at oil production facilities located on the Western flank. Groundwater monitoring bores were installed at the CKS, Bauer, Hanson and Christies facilities. Additional bores were also installed at the Callawonga facility to supplement pre-existing bores. All groundwater monitoring bores and wells

Witchelina Station

are monitored on an annual basis. This year, additional steps were taken as part of Beach's commitment to continue its focus on water management in the Cooper Basin. Beach is working on creating a water footprint in the Cooper Basin by measuring, tracking, and reporting how much water is being used by its operations.

In June 2014, Beach submitted a Baseline Assessment Plan (BAP) associated with shale gas exploration activities in ATP 855 on Nappa Merrie station in the Cooper Basin. The BAP requires Beach to identify and monitor any landholder water bores within the exploration licence.

This year, Beach drilled two exploration wells near Penola in the Otway basin. Groundwater in the Penola region is a vital source for agriculture and town supply, and Beach understands that potential impacts on groundwater resources are of concern to the local community. To verify exploration drilling does not have an impact on local groundwater reserves, Beach installed groundwater monitoring wells at each well which were monitored before, during and after drilling.

Review of erosion management measures

The landscape varies across the Cooper and Eromanga Basins in which Beach operates with some regions susceptible to erosion. Historic practices prior to Beach owning the licence around Beach's Kenmore operations have resulted in areas of erosion requiring remediation.

A number of monitoring points have been established on Beach licence areas around the Kenmore region to monitor known areas of erosion associated with petroleum exploration and production activities. Some remediation trials have also been undertaken at a number of key sites in recent years. A report summarising monitoring and reinstatement activities is currently being compiled. Following the completion of this report an erosion management plan will be developed and implemented for key sites, and it is expected to be put in place by the end of FY15.

Waste management

Drilling and production activities produce large quantities of waste in the form of drill cuttings, drilling muds, completion fluids, oils slops, and produced water etc. Recognising the growing importance of waste management, Beach initiated a waste management strategy to characterise the volume of waste associated with production operations in the Cooper Basin. The review consisted of a quantitative assessment to identify waste disposal options. The results of this assessment are currently under review. Beach is also working on developing internal capability for remediation of contaminated soil in the Western Flank.

Managing accidental leaks and spills

Beach defines spills as an accidental release of hydrocarbons and/or produced water outside of an area that has been specifically designed to contain such a release. Any loss of liquid containment is reported into Beach's incident reporting database. The reporting process documents the spill type, volume of spill, duration of the spill, cause of the spill, and actions taken to address the incident. A range of measures are in place to prevent, manage and respond to accidental leaks and spills. These include:

- Containment of spills;
- The storage of chemicals;
- The safety and security of transfer areas;
- Flowline and pipeline design, construction and maintenance standards, including corrosion protection measures, overpressure protection devices and integrity testing; and
- Spill response and clean up procedures.

There were 22 spills in FY14. However, none of these spills were of high environmental impact and all sites were remediated immediately. Beach did not receive any environmental fines or penalties in relation to spills which occurred in FY14.

Climate change and emissions

Climate change is a global challenge. Beach recognises that as a member of the oil and gas industry it has a significant role to play in managing carbon emissions. Beach has production procedures in place to minimise the incidence of uncontrolled and controlled atmospheric emissions, and is currently monitoring and reporting the greenhouse gas emissions associated with its activities through the National Greenhouse and Energy Reporting Scheme. In FY14, GHG emissions for all operated Beach facilities totalled 63,583 tonnes of CO_2-e. Beach also reports under the National Pollutant Inventory, which is a publicly available document on the EPA web site.

FY15 Outlook – Environment

- Develop internal capability for remediation of contaminated soil.
- Develop an underground water impact report for south west Queensland operations.
- Develop and implement Erosion Management Plan for Queensland.
- Continue to explore options for efficient transport of oil and gas.
- Continue to focus on waste and water management strategies.

OUR APPROACH AND PERFORMANCE – Our Economics

Beach is focused on creating long term, positive growth opportunities for its business and local communities. Its operations significantly benefit the local economy through job creation, community investments and royalty payments to state governments. In FY 2014, Beach continued to experience substantial growth in both, revenue and employee numbers. To support the expanding business, Beach employed 28 new employees and intends to recruit an additional 70 new employees over the next twelve months. Where practical, Beach hires local contractors and suppliers which further support the creation of many indirect jobs in the community. Beach intends investigating how it can capture and measure the economic benefit of its use of local contractors and suppliers.

In February 2014, Beach established its own small site medical facility at Callawonga and Driftwood. This facility employs full-time paramedics who provide basic primary health care, occupational health and medical emergency response, and stabilisation services to employees, contractors, tourists and local residents living near pastoral stations. This setup allows for stronger control of emergency response, provides Beach with the capacity to better perform case management, and ensure sound injury management protocols as well as return-to-work initiatives across the sites.

During the year, the industry, including Beach, engaged with the South Australian State Government to accelerate investment and improve job prospects in the resources sector. Recognising the significant economic development and employment opportunities that will be created from the development of unconventional gas resources, the South Australian State Government has committed to defer unconventional gas royalty payments for a period of five years, with timing details yet to be finalised Additionally, the government has promised to deliver on a number of projects that would greatly benefit the petroleum sector, including a new State Drill Core Reference Library as well as a Mining and Petroleum Services Centre of Excellence which would include an onshore oil and gas training facility. The centre requires industry cooperation and Beach is actively participating in the development of this facility. In conjunction with this, the government will also provide funding to construct an open access airstrip at Innamincka, in the area where Beach and other industry participants operate, which will further improve efficiency and growth opportunities for the oil and gas industry in the state.

FY15 Outlook – Economics

- Develop understanding of our economic impacts and improve data capturing methods.
- Develop understanding of our procurement practices for potential future reporting.

OUR APPROACH AND PERFORMANCE – Performance Data

Our People		
	FY14	FY13
LTI - Beach	**1**	3
LTI - contractors	**4**	4
LTIFR - Beach and contractors	**4.59**	5.35
Work hours - Beach	**293,263**	254,378
Work hours - contractors	**795,637**	1,052,795
Fatalities	**0**	0
Total number of employees	**208**	180
Gender split (Male:Female) (%)	**70:30**	70:30
Full time/part time/casual (%)	**88/10/2**	88/10/2
Voluntary employee turnover (%)	**4.62**	6.22
Our Communities		
Sponsorships		
Total expenditure ($ million)	**$1.4**	$1.3 [(1)]
Our Environment		
Spills [(2)]		
Total spills	**22**	NR
Volume of hydrocarbon spills (bbl)	**79**	NR
Volume of non-hydrocarbon spills (bbl)	**1,279**	NR
Total Volume of spills (bbl)	**1,358**	NR
Fines [(2)]		
Number of fines for non-compliance with environmental regulations	**–**	NR
Value of fines ($)	**–**	NR
Greenhouse gas emissions		
Volume of flared hydrocarbon (sm^3) [(2)]	**3,999.9**	NR
Total GHG emissions (tCO_2e)	**63,583**	95,047
National Pollutant Inventory (kg) [(3)]		
Carbon monoxide	**NYR**	40,652
Fluoride compounds	**NYR**	6,950
Hexane	**NYR**	61,180
Oxides of Nitrogen (NOx)	**NYR**	117,258
Particulate matter <2.5 um	**NYR**	7,967
Particulate matter <10.0 um	**NYR**	186,109
Polycyclic aromatic hydrocarbons	**NYR**	0.19
Sulphur dioxide (SOx)	**NYR**	31
Total Volatile Organic Compounds	**NYR**	1,100,070

Economic performance		
	FY14	FY13
Realised oil price ($)	**126/bbl**	111/bbl
Product sales revenue ($ million)	**1,052.1**	698.2
NPAT ($ million)	**101.8**	153.7
Total assets ($ million)	**2,655**	2,405
Net cash ($ million)	**284**	228
Total equity (shareholder funds) ($ million)	**1,871**	1,783
Market cap ($ million)	**2,171**	1,440
Reserves (2P) (MMboe)	**85.6**	92.7
Production (MMboe)	**9.6**	8.0
Exploration wells drilled [(4)]	**32**	35
Exploration expenditure ($ million)	**195**	203
Royalties and taxes ($ million) [(5)]	**144.8**	86.7

[(1)] *In the FY13 Sustainability report Beach indicated an amount of $1.5 million for community programs and sponsorships. That was the budgeted figure. The actual amount paid or accrued is set out above. The actual amount for FY14 is also reported.*

[(2)] *NR (Not reported) in FY13.*

[(3)] *NPI data is reported to the EPA in September of each year. FY14 data NYR (Not yet recorded) will be published in the FY15 Sustainability Report.*

[(4)] *Operated only.*

[(5)] *Includes all operations.*

Innovation

Initiative, creativity, **innovation**, responsibility, accountability and pride

CORPORATE GOVERNANCE

PART 1 – INTRODUCTION

Beach's goal is to be recognised nationally and internationally as an innovative and successful explorer, discoverer, developer and producer of oil and gas. To achieve this, it is committed to conducting a business that values, among other things, ethical and responsible conduct, integrity, accountability and respect for others. Beach has policies, procedures and systems designed to promote high standards of governance within Beach. Those policies, procedures and systems are regularly reviewed and revised as required to reflect changes in governance standards and practice.

Details of the main policies (or summaries of them) that form the basis of the corporate governance framework of Beach are available in the corporate governance section of Beach's website, www.beachenergy.com.au. This statement summarises Beach's main corporate governance principles and practices and the extent to which Beach complied with the second edition Corporate Governance Principles and Recommendations (Principles) released by the ASX Corporate Governance Council over the reporting period. The Board believes that Beach has complied with all of the Principles for the current reporting period. A checklist which cross references the Principles to the relevant part of this report or the Remuneration Report is found on pages 47 to 48. The Board has undertaken a review of its governance practices ahead of the introduction of the third edition of the Principles (Revised Principles) which Beach will report against for the coming financial year. There are aspects of the Revised Principles that have been introduced early by Beach. They are referred to in this statement.

PART 2 – THE BOARD

The respective roles and responsibilities of both the Board and management are set out in the Board Charter which is available in the corporate governance section of Beach's website.

2.1 The role of the board and senior executives

The Board's responsibility is to oversee the management of Beach, approve its corporate strategy and annual budgets, appoint its Managing Director, oversee and monitor its systems of risk management and internal control and set and monitor the performance of management against company goals. More specifically the Board is responsible for:

- Providing oversight and final approval of Beach's corporate strategy;
- Monitoring senior executives implementation of Beach's corporate strategy;
- Approving and monitoring the business plan, budget and corporate policies;
- Monitoring and assessing the performance of Beach and the Board itself;
- Overseeing the risk management framework and monitoring of its material business risks;
- Requiring and monitoring legal and regulatory compliance;
- Approving financial reports;
- Ensuring an effective system of internal controls exists and is operating as expected;
- Establishing Beach's vision, mission, values and ethical standards to be reflected in a Code of Conduct;
- Delegating an appropriate level of authority to management;
- Appointment, succession, performance assessment, remuneration and dismissal of the Managing Director; and
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.

The Board has delegated management of the company through the Board Charter and an approved delegation of authority to senior executives. This includes:

- Implementing the corporate strategy set by the Board;
- Assuming day to day responsibility for Beach's conformance with relevant laws and regulations and its compliance framework;
- Achieving the performance targets set by the Board;
- Developing, implementing and managing Beach's risk management and internal control frameworks;
- Providing sufficient and relevant information to the Board to enable the Board to effectively discharge its responsibilities; and
- Managing Beach's human, physical and financial resources to achieve Beach's objectives – essentially "Run the Business".

The Board attends an annual strategy meeting with the senior executive team to consider and review the strategic direction of the company. The outcomes of the strategy day provide direction to the senior management team in achieving the company goals and in the annual budgeting process which commences in the period after this meeting.

The Board Charter was updated to confirm that the company secretary should be accountable directly to the Board through the Chairman on all matters to do with the proper functioning of the Board. This reflects the Revised Principles.

2.2 Board composition and skills, diversity and competencies

The constitution of Beach specifies the number of directors shall be not less than three or more than seven. The Board may at any time appoint a director to fill a casual vacancy. At the date of this report, the Board has six directors. The skills, experience, qualifications and expertise relevant to the position of each director who is in office at the date of this report, their special responsibilities and their term of office are detailed in the Directors' Report.

The Board should also consist of a majority of independent non-executive directors. The Board also considers that the role of the Chairman and the Managing Director must be filled by different people and that the Chairman should be an independent director. Board reviews are conducted regularly, in part, to ensure that individual directors have continuing capacity and commitment to contribute to the fulfilment of the Company's objectives.

The Board regularly reviews the size and composition of the Board to ensure that it continues to have the right combination of experience, diversity and competencies to fulfil its responsibilities effectively. In addition the mix of board capabilities is linked to the company's goal to be recognised nationally and internationally as an innovative and successful explorer, discoverer, developer and producer of oil and gas. The matrix of skills and diversity that the Board regards as desirable to achieve this are set out in the table below. The matrix was reviewed as part of the requirements of the Revised Principles.

The composition of skills and experience and diversity of the Board (out of 7 including director Mr Moretti who retired on 1 July 2014)

Skills, Experience & Diversity	
Industry experience: • Resources including oil & gas/ minerals • Infrastructure • Engineering or science qualification • Membership of industry related organisations • Major projects (including mergers & acquisitions)	**7**
Executive leadership/management • Outside directorships • Senior management positions	**7**
Financial acumen • Financial literacy • Accounting or finance qualification	**3**
Health safety and environment • Experience related to managing HS&E issues in an organisation	**7**
Governance • Experience in the governance of organisations • Membership of governance industry bodies or organisations	**7**
Public policy • Government engagement • Experience in regulatory policy • Community/stakeholder engagement	**2**
Strategy • Ability to analyse information, think strategically and review and challenge management in order to make informed decisions and assess performance against strategy • Experience in setting and delivering on strategy	**7**
International experience • Experience in a global organisation • Experience with international assets, business partners, cultures and communities	**3**
Risk • Experience in risk management and oversight	**7**
Diversity of the Board	
Gender	**5 male / 2 female at 30 June 2014**
Tenure	**9+ years – 2 directors**
	> 6 - 9 years – 2 directors
	> 3 - 6 years – 1 director
	0 - 3 years – 2 directors

In addition to particular skills, the Board views the following competencies as essential for its directors:

- Personal and professional integrity, good communication skills and ability to work harmoniously with fellow directors and management; and
- Ability to analyse information, think strategically and review and challenge management in order to make informed decisions and assess performance.

2.3 Directors' independence

There is one executive director, Managing Director, Mr Nelson. The Board assesses independence of directors regularly against the criteria listed in its policy on director independence. In addition, directors are required to disclose information that may have an effect on their independent status. Using the criteria in its policy, the majority of the Board consists of independent directors. The independent directors are Ms Bennett, Mr Butler, Mr Davis, Dr Schwebel and Ms Robinson and Mr Moretti prior to his retirement.

Mr Davis is a partner of law firm DMAW Lawyers which provides legal services to Beach. Mr Davis has been an employee of, or partner in, law firms that have provided legal services to Beach and the industry generally for more than 20 years. That collective knowledge and understanding of Beach and its assets and the industry generally was one of the reasons he was first appointed to the Board. DMAW Lawyers is instructed in the main in relation to operational oil and gas work. Within DMAW Lawyers Mr Davis does not provide any legal services to Beach, is not consulted by others in relation to the provision of those services and is not involved in the firm's engagement with Beach as a client. In seven years as a director of Beach a conflict of interest has not arisen in this context. In the unlikely event a conflict did arise the Beach board has a very clear procedure and policy as to how that conflict would be dealt with. That procedure and policy would be strictly adhered to. Decisions to instruct DMAW lawyers are made at management and not board level. DMAW Lawyers has specialist oil and gas experience that has been provided to Beach over many years. That expertise and accumulated knowledge is of separate value to Beach from Mr Davis' role as a director.

The Board has determined that Mr Davis is an independent director and Chairman. Using the materiality thresholds set by it and detailed below, the fees charged by DMAW lawyers to Beach are below these threshold amounts. This, and the fact the Board has seen no evidence that management's use of DMAW Lawyers impacts on the independence of Mr Davis, has led the Board to determine Mr Davis is independent.

The Board has also considered the question of whether Mr Butler's longevity as a director of Beach in some way compromises his independence. The Board does not believe it does or has seen evidence that it does.

The policy on director independence defines an independent director as a non-executive director (not a member of management) who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the independent exercise of their judgment.

In determining the independent status of a director the Board considers whether the director:

- Is a substantial shareholder of Beach or an officer of, or otherwise associated with, a substantial shareholder of Beach;
- Is employed, or has previously been employed in an executive capacity by Beach or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Is or has within the last three years been a partner, director or senior employee of a provider of a material professional services to Beach, or another group member;
- Is, or has been in the last three years, in a material business relationship (eg as a supplier or customer) with Beach, or another group member, or an officer of or otherwise associated with someone with such a relationship;
- Has a material contractual relationship with Beach or another group member, other than as a director;
- Has close family ties with any person who falls within the categories described above; and
- Has been a director of Beach for such a period that his or her independence may have been compromised.

The Board has also adopted the following materiality thresholds to assist with determining independence:

- A provider of material professional services is one where the fees charged to Beach or the group in a financial year are more than 10% of the annual gross revenue of the provider or $1.5 million, whichever is the lesser. A business relationship such as a supplier to or a customer of Beach or another group member will be material if the value of the purchases or sales in a financial year accounts for more than 10% of the annual consolidated gross revenue of the supplier or more than 10% of the annual consolidated expenditure of the customer, as the case may be or $7.5 million, whichever is the lesser.
- A contractual relationship will be material where the value of the contract in a financial year accounts for more than 10% of the annual gross revenue or income of the director, or the contract is for more than 3 years.

The test of director independence was updated to take account of the Revised Principles. The role of lead independent director currently held by Mr Butler but which was held by Mr Moretti until his retirement, is:

- To aid and assist the Chairman and the remainder of the Board in assuring effective corporate governance in managing the affairs of the Board and the company;
- To be available as a resource to consult with the Chairman and other directors on corporate governance practices and policies, and shall assume the primary leadership role in addressing issues of this nature if the Chairman is unavailable; and
- To consider questions of possible conflicts of interest of or breaches of the Code of Conduct by Board members, as such questions arise.

All directors and senior executives have written agreements with Beach setting out the terms of their appointment. This is a requirement of the Revised Principles.

2.4 Re-election of directors, director selection and board renewal

The constitution of Beach and the ASX Listing Rules require that at each annual general meeting, one third of directors (excluding the Managing Director) together with any director appointed since the last annual general meeting, retire from office. Retiring directors are eligible for re-election. Retiring directors, offering themselves for re-election, will have a performance review before their offer is accepted by the Board which includes an assessment of that director's competencies and ongoing capacity and commitment to fulfil the role. When offering themselves for re-election a retiring non-executive director must indicate to Beach if he or she has sufficient time to devote to the tasks required of a director of Beach. The procedure for re-election of incumbent directors is set out in the corporate governance section of Beach's website.

The Remuneration and Nomination Committee oversees the Board succession planning process. The procedure for selection and appointment of new directors is set out in the corporate governance section of Beach's website. The Board may, with the help of external consultants, if necessary, and with internal industry experience, select a candidate or candidates. A candidate's suitability will be measured against the general criteria (see page 40). To meet the current needs of Beach, and to best complement Board effectiveness, additional or specific criteria may be utilised.

A candidate selected by the Board will be approached by the Chairman with or without the Managing Director to determine his or her interest in joining the Board. The candidate will be given information about

the role, responsibility, contribution and time commitment such an appointment would entail and the remuneration, terms and conditions of the appointment. A candidate for appointment as a non-executive director must indicate if he or she has sufficient time to devote to the tasks required of a director of Beach. The competencies that are considered in an individual candidate include those listed on page 40.

Mr Moretti indicated that he intended to retire as a director with effect from the 2013 annual general meeting. At the request of the Board, he agreed to remain as a director until the end of the reporting period. This selection process described above has been adopted in the appointment of a new director following Mr Moretti's retirement. A replacement for Mr Moretti will be announced in due course.

2.5 Conflicts of interest

Beach has a Conflicts of Interest Policy to assist directors to identify and disclose actual or potential conflicts of interest. Each director has agreed in writing to provide the following information to Beach on a regular basis:

- Details of all securities held in Beach, registered both in the director's name and in any other entity in which that director has a relevant interest within the meaning of the Corporations Act; and
- Details of all contracts to which the director is a party to or under which the director is entitled to a benefit made available to him or her by Beach.

In addition, directors and executives must disclose to the Board any material contract in which they may have an interest. A director with a material personal interest in a matter being considered by the Board, must not be present when the matter is being considered, and must not vote on the matter, unless invited to vote and/or remain by the non-conflicted directors. A standing agenda item at the beginning of each Board meeting requires directors to make any disclosures of any matters that may be regarded as conflicts of interest.

2.6 Independent professional advice and access to information

A director has the right to seek independent professional advice concerning or in relation to the rights, duties and obligations of the director in relation to the affairs of Beach, at Beach's expense. The Chairman's prior approval of such expenditure is required.

Directors have direct access to the joint company secretaries. Subject to obligations of confidentiality and privacy, directors also have access to Beach's information and records and employees. In addition to regular reports to the Board, directors may request further reports or information necessary to make informed decisions from management through the Managing Director and/or the Board at any time.

2.7 Performance evaluation

A performance evaluation of the Board, each committee of the Board and individual directors was undertaken during the reporting period using an external facilitator in accordance with the process for reviews disclosed in the corporate governance section of Beach's website. The evaluation was conducted by way of questionnaire and report. The evaluation was based broadly on a review of strategy, risk, management, stakeholder engagement, board membership, boardroom behaviour and relationships, structure and the conduct of meetings. A report on the responses to the Board and committee evaluations was presented to the Board. As part of the review, the Chairman also meets with each director to discuss issues relating to the Board, each committee and individual directors. The outcomes of the review are taken into account in setting activities to continue to improve Board performance and efficiency. The outcomes include consideration of:

- Strategic reporting;
- The role of the Board in succession planning for the Managing Director's direct reports; and
- The Board's focus on risk.

These matters have been reviewed by the Board and acted on. As an example, a Risk Committee has been formed to increase the Board's focus on risk and its management.

The Managing Director and senior executives participate in annual performance reviews. Performance is measured against key performance indicators relevant to Beach's general objectives and to the executives' role. A performance evaluation for senior executives took place for the current reporting period in accordance with the process. A description of the performance evaluation process can be viewed in the corporate governance section of Beach's website.

2.8 Directors and senior executives remuneration

Details of the remuneration structure of and remuneration paid to non-executive directors are set out in the Remuneration Report contained in the Directors' Report. The structure and details of the remuneration of the Managing Director and senior executives are also set out in the Remuneration Report contained in the Directors' Report. Details of the nature and amount of the remuneration and what the relationship is with the performance of Beach are also contained in the Remuneration Report.

PART 3 – BOARD COMMITTEES

The Board has an Audit Committee, Remuneration and Nomination Committee, Corporate Governance Committee and a newly formed Risk Committee to assist it to meet its responsibilities. Each committee has a specific function that has been detailed in a charter. Details of the number of committee meetings held and its attendees are set out in the Directors' Report. Further details of the qualifications of each committee's members are set out in the Directors' Report. The Board considers the composition of each committee at least annually.

3.1 Audit Committee

The Audit Committee's members are Mr Butler (chairman), Ms Bennett and

Dr Schwebel, all of whom are independent non-executive directors. The committee:

- Monitors the integrity of the statutory financial statements;
- Reviews the statutory financial statements and reports and makes recommendations to the Board;
- Liaises with external auditors and reviews their reports;
- Reviews internal financial controls and internal control and risk management systems; and
- Makes recommendations to the Board concerning the appointment of Beach's external auditor.

The specific attributes of committee members that are relevant to this committee include financial acumen, technical industry knowledge, experience in risk management and oversight. The committee meets at least three times a year and the external auditor, Managing Director and Chief Financial Officer/Company Secretary are invited to attend the meetings, at the discretion of the committee. Its charter can be viewed in the corporate governance section of Beach's website.

3.2 Remuneration and nomination committee

The Remuneration and Nomination Committee's members are Ms Robinson (chairman), Ms Bennett and Mr Davis. The specific attributes that the members of this committee have are industry knowledge, governance and experience in leadership and senior management roles. The role of the committee is to review and make recommendations to the Board about:

- Senior executives' remuneration and incentives;
- Superannuation arrangements;
- The remuneration framework for directors;
- Equity incentive schemes for employees;
- Approval by the Board of any remuneration consultancy contract that is for services that include making a remuneration recommendation in relation to key management personnel;
- Ensuring compliance with the requirements for remuneration recommendations in relation to key management personnel;
- Beach's remuneration, recruitment, retention and termination policies for senior executives;
- The necessary and desirable competencies of Board members;
- The development of a process for the evaluation of the performance of the Board, its committees and directors;
- The appointment and re-election of directors;
- Reviewing Board succession plans; and
- A diversity policy for approval by the Board.

Its charter can be viewed in the corporate governance section of Beach's website.

The composition of the Committee is compliant with the required structure set out in the Principles.

3.3 Risk committee

The Board established a Risk Committee in June 2014 comprising all members of the Board. It is chaired by Ms Bennett. The role of the committee is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to Beach's risk management framework. The combined set of skills and attributes of all of the directors is important in understanding and undertaking the risk oversight role that the Board has.

3.4 Other board committees

The Corporate Governance Committee's members during the reporting period were Mr Moretti (chairman), Mr Butler and Mr Davis. Following Mr Moretti's retirement, Mr Butler assumed the role of chairman. Its role is to oversee the corporate governance policies and procedures of Beach. Its charter can be viewed in the corporate governance section of Beach's website. The committee member's attributes to serve on this committee include experience in governance.

PART 4 – PROMOTE ETHICAL AND RESPONSIBLE BEHAVIOUR

4.1 Code of Conduct

Beach has a Code of Conduct that sets out standards of behaviour expected of its directors and employees and those Beach contracts to do work for it. Those standards require:

- Compliance with the laws that govern Beach and its operations;
- Its people to act honestly and with integrity and fairness in all dealings with others and each other;
- Avoidance or management of conflicts of interest;
- Beach's assets to be used properly and efficiently for Beach's benefit;
- A contribution to the well being of Beach's key stakeholders;
- Exemplary corporate citizenship.

There is also a procedure to report breaches or possible breaches of the Code of Conduct. To complement the Code of Conduct a Whistleblower Policy and procedure have also been introduced to encourage the reporting of unethical behaviour in an environment free from reprisal or intimidation. The Code of Conduct can be viewed in the corporate governance section of Beach's website.

4.2 Trading in Beach securities

Beach's securities trading policy restricts directors and employees from dealing in its securities where price sensitive information is known within Beach but is not generally available and in other specified non-trading periods. Directors and employees are obliged to give prior notice of an intended dealing in Beach's securities and seek confirmation that the proposed dealing complies with the policy. If the dealing is subsequently made, the details must be notified to Beach within two business days. The policy also prohibits directors and employees from hedging unvested securities, such as unvested options or options that are vested but under a holding lock, that were issued under a Beach equity based incentive plan. In addition, directors undertake to provide all details of their dealings in Beach securities so that this information can be notified to the ASX. To ensure that the policy is being complied with, Beach monitors and is advised immediately of share movements of its directors and employees through its share registry. The purpose is to check that a share movement corresponds with permission to trade in Beach shares. Beach's Share Trading Policy can be viewed in the corporate governance section of Beach's website.

4.3 Diversity

Beach has adopted a Diversity Policy which is available in the corporate governance section of Beach's website. Beach is committed to a workplace culture that promotes the engagement of well qualified, diverse and motivated people across all levels to assist Beach to meet its objectives. Key principles to implement this policy include:

- Recruiting on the basis of skills, qualifications, abilities and achievements;

- Encouraging participation of its people in professional development to benefit Beach and the individual;
- Encouraging personal development for the benefit of Beach and the individual;
- Aiming to be an employer of choice and to provide a family friendly work environment;
- Promoting diversity through awareness and training;
- Establishing measurable objectives for achieving gender diversity; and
- Assessing annually both the objectives and progress in achieving them.

The table below sets out the measurable objectives for achieving gender diversity and Beach's progress in achieving these objectives over the reporting period:

Objective	Initiatives	Progress in achieving the objective
At least one female board director at all times		Achieved. There are now 2 female Board members (33.33%).
Review of gender pay equity particularly in technical and professional roles	Review of pay equity in 2013 and annually to ensure alignment of pay for the same roles	Achieved and is part of the annual salary review process. Average pay increases for females in the 2014/15 salary budget were 6.25% and for males 6.23% (rounded).
Increase recruitment of women in technical roles	Actively supporting female participation in Beach's work experience program Active participation in university career expos, industry nights, meetings with students and school work experience programme	Achieved & on-going. As at 30 June 2014, of the total recruitment undertaken for the 2013/14 financial year, 38% of all positions were filled by females. This is a significant increase from 24% of all positions filled by females in 2012/13. 44% of technical roles were filled by females in 2013/14. Beach has continued to offer work experience to both male and female secondary students during the 2013/14 financial year.
Increase participation in leadership initiatives and in training and career development opportunities	Launched a pilot programme with Oz Minerals to provide strategic training and development opportunities for women in both organisations with mentors involved from the senior leadership teams Industry support through Women in Resources Group	50% of 2012 participants in the Leading My Career program were promoted within a year of commencing the program and 60% of 2013 participants have been promoted to senior roles. The Leading My Career program was run in 2014 and achieved its strategic objectives. Based on the reputation of the program it was also expanded to include Thiess, at their request. In terms of training provided to employees at Beach Energy, 76% of all female employees attended training provided for FY14. Beach has continued to participate as a key sponsor of the Women in Resources Group throughout 2014.
Employee Opinion Survey to measure a range of issue around conditions of employment	Positive feedback on balance between work and personal life Flexible and part time work offered to all employees with part time work by gender at 5% for males and 6% for females	The results of the 2014 Employee Opinion Survey indicate that: 94% of employees provided a positive response and agreed that Beach actively fosters diversity, provides an inclusive work environment and respects diversity. 94.1% of employees indicated they believe the environment at Beach supports a balance between work and personal life; and 91.7% believe that Beach provides an inclusive work environment in which all employees are able to equally participate and contribute. (Responses ranging from mildly to strongly agree). As at 30 June 2014, 10% of all Beach employees were Part-Time of which approximately 8% of were female and 2% were male.

The Remuneration and Nomination Committee is responsible, at least annually, to review and report on the relative proportion of women and men in Beach's workforce at all levels. The details at the end of this reporting period and the previous reporting period are as follows:

Workforce gender profile for FY14 and FY13

Workforce Profile	Year	Males	Females	Total
Administration	**2014**	**1**	**21**	**22**
	2013	1	22	23
Board (non-executive)	**2014**	**3**	**2**	**6**
	2013	4	2	6
Production	**2014**	**44**	**–**	**44**
	2013	34	–	34
Professional Staff	**2014**	**37**	**24**	**61**
	2013	29	16	45
Senior Management	**2014**	**5**	**2**	**7**
	2013	5	2	7
Technical	**2014**	**54**	**14**	**68**
	2013	53	12	65
TOTAL	**2014**	**144**	**63**	**208**
	2013	126	54	180

PART 5 – RECOGNISE AND MANAGE RISK

5.1 Risk oversight and management

Beach recognises that the management of risk is a critical component of managing an oil and gas business and the Company has in place a comprehensive system to identify, manage and report material risk. The Board has responsibility for overseeing Beach's risk management framework and monitoring risks including its material business risks. As set out in the Board Charter, senior management is required to develop, implement and manage Beach's risk management and internal control framework. Management reports to the Board on its management of these tasks and particularly whether Beach's material business risks are being managed effectively. Beach has a Risk Management Committee comprising one director and senior executives. The committee's role over the reporting period has been to take responsibility for:

- The design and implementation of the risk management and internal control system to manage material business risks;
- Assisting the Board to review the effectiveness of those management systems; and
- Reporting to the Board on whether Beach's material business risks are being managed effectively.

The Risk Management Committee recently completed its annual review of the Risk Management Committee Charter and Policy. Changes recommended to the Board were approved in August 2014. This committee now reports through the Managing Director to a recently formed Board Risk Committee. The primary objective of the Risk Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to the Company's risk management framework, including the identification and management of material business risks. The new committee will focus on strategic risk issues and the corporate risk appetite of Beach over the coming reporting period. The Audit Committee will continue to assist the Board to oversee risk management issues in the area of financial reporting risk management and internal control and to test the effectiveness of the system.

5.2 Risk management system

Beach's risk management system is based on the International Standard for Risk Management (ISO 31000) and its framework is underpinned by various policies and practices that are intended to ensure:

- A consistent approach to managing risk, including a single corporate risk matrix and maintaining a centralised corporate risk register;
- A consistent approach to monitoring and reviewing risk mitigation plans; and
- Regular reporting to relevant stakeholders including financial, operational and technical reports.

Risks are identified and ranked using a likelihood and consequence methodology. Risks identified as material are included in a material risk register which is regularly reviewed by the Risk Management Committee to ensure that action is implemented to manage and mitigate each of those risks. Each risk is assigned to a single accountable representative to give on-going consideration to that risk.

Each business function is responsible for identifying, quantifying and managing the risks that relate to its function or responsibility. Once identified, risks are regularly reported on together with the strategies developed to effectively control or mitigate them. This occurs through the Risk Management Committee for risks other than financial risks, which are reported through the Audit Committee. The business functions have a responsibility to properly assess risks and manage them. The business functions must routinely check the effectiveness of their internal controls. A new risk or a risk whose profile changes (either to decrease or increase the risk) is identified by the business and the risk register is amended accordingly. The Risk Management Committee is notified of any new material risk, who is responsible to manage the risk and what plans are in place to manage the risk.

The risk management framework is being supported by a new online compliance system which will centralise the risk register and its sub-registers into a single platform with active monitoring of action items assigned to various risks. The system will 'go live' over the coming reporting period. The system will automate the management of tasks that have been assigned to those responsible to manage particular risks. It will also notify designated personnel when tasks are not completed to ensure that risks are actively managed in a timely manner.

A description of Beach's Risk Management Policy is available in the corporate governance section of Beach's website.

5.3 Reporting on risk management

Over the reporting period, the Board received a regular report from the Risk Management Committee which included details of new material risks, progress on the mitigation of existing risks, alteration of risk profiles and current issues for consideration. The highest ranked material risks are considered in more detail on a quarterly basis by the Board or as the need arises from time to time as risks and their magnitude change. In addition, senior management has reported to the Board as to the effectiveness of Beach's management of its material business risks and that report has been received by the Board.

The Board has also received written declarations from the Managing Director and the Chief Financial Officer that in their opinion, the declaration provided in accordance with section 295A of the Corporations Act has been formed on the basis of a sound system of risk management and internal control which is operating effectively. This declaration was given in accordance with the Revised Principles.

5.4 Examples of business risks

Beach's material business risks include operational risks, commercial risks, legal and contractual risks, reputational and financial risks and social licence to operate risks.

Type of risk	Managed through
Reputational/Social licence to operate	• Policies and standard operating procedures for engagement with local communities, indigenous communities and other stakeholders. • Consultation and briefings to communities where Beach operates. • Continuous engagement with regulators and governments to ensure our operations are being conducted effectively.
Economic and financial	• Policies and procedures for financial risk management. • Regular confirmation to the Board that the controls for the treasury and finance function are compliant. • Annual capital and operating budget approved by the Board. • Delegations of authority approved by the Board. • Regular reporting to the Board of monthly actual results against budget and updated forecasting.
Operational – (Health safety & environment)	• Polices and standard operating procedures for adherence to HSE requirements. • HSE prequalification for Beach contractors and Contractor alignment forums. • HSE audits and ongoing monitoring. • Regular reporting to the Board of HSE issues.
Commercial and regulatory	• Regular reporting to the Board on a business unit basis. • Identify key legislative and regulatory requirements to run the business. • Identify and manage key changes to the operating environment.
Investment	• Annual budget approved by the Board. • Delegations of authority approved by the Board to ensure decision making at appropriate levels within the company. • Due diligence process for any acquisitions and new country entry. • Use of external expertise and advisers to assist in assessing opportunities and implementing investment decisions. • Portfolio management system. • Strategy set by the Board to drive investment decisions and allocation of resources. • Funding arrangements approved by the Board.

5.5 External audit

Beach's external auditor is Grant Thornton. The Audit Committee is responsible for making recommendations to the Board on the selection, appointment, reappointing or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting and rotation of audit partners. The lead audit partner and review partner of the external auditor must rotate every five years.

The external auditor is not engaged to perform any non-audit services that may impair the judgment of the external auditor or independence in respect of Beach. It is the Audit Committee's role to assess and approve any audit and non-audit services that might be provided by the external auditor.

PART 6 – DISCLOSURE TO AND COMMUNICATION WITH SHAREHOLDERS

6.1 Timely and balanced disclosure

Beach operates under the ASX's continuous disclosure regime whereby relevant information that could be seen to affect the share price in any way is immediately made available to shareholders and the public as a release to the ASX. The release is also placed on Beach's website. Beach's Continuous Disclosure Policy sets out the requirements and processes put in place by Beach to ensure that its obligations to disclose relevant information are met and to ensure accountability at senior executive level for that compliance. The policy is available in the corporate governance section of Beach's website.

6.2 Communication with shareholders

Beach's website is available for all shareholders and other interested parties to access current, publicly available information on Beach. In addition to the annual report, Beach distributes a half yearly review of its activities and results. These are also posted on the website and sent to shareholders. Shareholders can elect to receive communications by post or by email notification through Beach's website. Beach regularly undertakes campaigns through its share registry to encourage shareholders to receive communications electronically. This was last conducted in 2014. Beach also has an electronic 'Contact Us' facility which can be accessed by shareholders through Beach's website. Beach has also engaged investor relations personnel to assist in responding to shareholder enquiries.

Beach encourages its shareholders to attend its annual general meetings and to discuss and question the Board and management. Early notice of meeting dates is provided on Beach's website under its Corporate Calendar and in other publications. The notice of annual general meeting includes with it a form that shareholders are invited to submit ahead of the meeting with questions or to make comments on matters relating to Beach. These are answered at the meeting generally by inclusion in the presentation material. Representatives of the external auditor are invited to attend the annual general meeting and will be available to answer questions from shareholders concerning the conduct of the audit and the preparation and content of the auditor's report.

Beach has an investor relations program designed to facilitate two way communications between the company and its investors. Beach conducts regular roadshows and gives a range of updates and presentations to investors and the investment community throughout the year. A description of the arrangements Beach has in place to promote communication with shareholders and participation at shareholder meetings can be viewed in the corporate governance section of Beach's website.

Checklist of corporate governance principles and recommendations (2nd edition)	**Reference**
Principle 1 – Lay solid foundations for management and oversight	
1.1 Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2.1
1.2 Disclose the process for evaluating the performance of senior executives.	2.7
1.3 Provide the information indicated in Guide to reporting on Principle 1.	2 and 2.7
Principle 2 – Structure the Board to add value	
2.1 A majority of the board should be independent directors.	2.3
2.2 The chair should be an independent director.	2.2 and 2.3
2.3 The roles of the chair and chief executive officer should not be exercised by the same individual.	2.2
2.4 The board should establish a nomination committee.	3.2
2.5 Disclose the process for evaluating the performance of the board, its committees and individual directors.	2.7
2.6 Provide the information indicated in Guide to reporting on Principle 2.	2.2, 2.3, 2.6, 2.7 and 3.2
Principle 3 – Promote ethical and responsible decision-making	
3.1 Establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in Beach's integrity. • The practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders. • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	4.1
3.2 Establish a policy concerning trading in company securities by directors, officers and employees and disclose the policy or a summary of that policy.	4.2
3.2 Establish a policy concerning diversity and disclose the policy or a summary of the policy.	4.3
3.3 Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	4.3
3.4 Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	4.3
3.5 Provide the information indicated in Guide to reporting on Principle 3.	4.1 and 4.2

Principle 4 – Safeguard integrity in financial reporting	
4.1 The board should establish an audit committee.	3 and 3.1
4.2 Structure the audit committee so that it: • Consists only of non-executive directors. • Consists of a majority of independent directors. • Is chaired by an independent chair, who is not chair of the board has at least three members.	3.1
4.3 The audit committee should have a formal charter.	3 and 3.1
4.4 Provide the information indicated in Guide to reporting on Principle 4.	3, 3.1 and 5.5
Principle 5 – Make timely and balanced disclosure	
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	6.1
5.2 Provide the information indicated in Guide to reporting on Principle 5.	6.1
Principle 6 – Respect the rights of shareholders	
6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy.	6.2
6.2 Provide the information indicated in Guide to reporting on Principle 6.	6.2
Principle 7 – Recognise and manage risk	
7.1 Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	5.1
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	5.1,5.2 and 5.3
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	5.3
7.4 Provide the information indicated in Guide to reporting on Principle 7.	5.1, 5.2 and 5.3
Principle 8 – Remunerate fairly and responsibly	
8.1 The board should establish a remuneration committee.	3 and 3.2
8.2 Structure the remuneration committee so that it: • Consists of a majority of independent directors. • Is chaired by an independent chair. • Has at least three members.	3.2
8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	2.8 and Remuneration Report
8.4 Provide the information indicated in Guide to reporting on Principle 8.	2.8, 3.2, 4.2 and Remuneration Report

FINANCIAL REPORT

Contents

The financial report is presented in Australian currency.

Beach Energy Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

25 Conyngham Street
GLENSIDE SA 5065

A description of the nature of the company's operations and its principal activities are included in the Review of operations and in the Directors' report released herewith.

The financial report was authorised for issue by the directors on 25 August 2014. Beach has the power to amend and reissue the Financial report.

Through the use of the internet, Beach has ensured that all corporate reporting is timely, complete, and available at minimum cost to Beach. All press releases, financial reports and other information are available on Beach's website: www.beachenergy.com.au.

DIRECTOR'S REPORT

Your directors present their report for Beach Energy Limited (Beach or Company) on the consolidated accounts for the financial year ended 30 June 2014 (FY14). 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 2014 and up to the date of this report are:

Surname	Other names	Position
Davis	Glenn Stuart	Non-Executive Chairman
Nelson	Reginald George	Managing Director
Bennett	Fiona Rosalyn Vivienne	Non-Executive Director
Butler	John Charles	Non-Executive Lead Independent Director (1)
Moretti	Franco Giacomo	Non-Executive Lead Independent Director (2)
Robinson	Belinda Charlotte	Non-Executive Director
Schwebel	Douglas Arthur	Non-Executive Director

(1) *Appointed Lead Independent Director from 1 July 2014*

(2) *Retired 1 July 2014*

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:

Securities held in Beach Energy Limited	Shares	Rights
G S Davis	119,276 (2)	–
R G Nelson	3,354,653 (1)	3,259,076 (1)
	1,000,000 (2)	–
F R V Bennett	30,075 (2)	–
J C Butler	167,393 (1)	–
B C Robinson	15,295 (1)	–
D A Schwebel	74,860 (2)	–
F G Moretti	270,410 (2)	–

(1) *Held directly*

(2) *Held by entities in which a relevant interest is held*

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

The principal activities of the consolidated entity continue to be oil and gas exploration, development and production and investment in the resources industry.

Review and results of operations

A review of the operations and of the results of those operations of the consolidated entity during the year is as follows:

- In FY14 Beach produced 9.6 million barrels of oil equivalent (MMboe), 54% of which was oil and 46% gas and gas liquids;
- Beach became the largest onshore oil producer in Australia, with oil production up 39% on FY13, primarily due to exploration and development success and increased oil transport capacity out of the Western Flank;
- Gas and gas liquids production was up 4% on the prior year, mainly due to reduced Moomba shutdowns; and
- A total of 122 wells were completed with an overall success rate of 85%. Of the total wells drilled, exploration wells comprised 26%, with a success rate of 59%, and appraisal wells comprised 11%, with a success rate of 69%.

Cooper Basin

SACB and SWQ JVs

(Various interests)

Net sales gas and ethane production was 19.1 Petajoules (PJ), 1% down on FY13, mainly due to natural field decline, with condensate production of 0.3 million barrels (MMbbl) down 2%. Net oil production was 1.0 MMbbl, 5% higher than the prior year, mainly driven by continued development and appraisal of the Zeus and Cook fields and successful drilling at Irtalie East.

The Moomba-191 well was on-line for the full year, producing at an average rate of around 1.8 million standard cubic feet per day (MMscfd). Moomba-194 was the second deep gas well tied-in to existing infrastructure and produced at a rate of 1.5 MMscfd on test for the first month.

Western Flank

Record oil production from the operated oil portfolio was driven by continued exploration and appraisal success, as well as a number of development wells that specifically targeted improved recovery from existing fields. New oil flowlines were commissioned in FY13 and maintained at close to maximum capacity during the year. The trunkline from the Lycium hub to Moomba reached an available capacity limit of 19,500 barrels of oil per day (bopd), with net oil production averaging in excess of 10,000 bopd for the year.

PEL 91

(Beach 40% and operator, Drillsearch 60%)

Gross oil production was 4.6 MMbbl (1.8 MMbbl net), up 280% on the prior year, mainly driven by the exceptional performance of the Bauer field. This resulted in average gross production of 12,600 bopd (5,050 bopd net), with the Bauer to Lycium pipeline at its full capacity of 10,500 bopd, with excess oil trucked to Lycium. The Bauer field was extended through the drilling of one appraisal and two development wells, with eleven wells currently tied-in to the Bauer facility. Exploration success was realised with two discoveries at Stunsail-1 and Pennington North-1.

PRLs 85 to 104

(Beach 75% and operator, Cooper 25%)

The joint venture was granted Petroleum Retention Licences (PRLs) 85 to 104 over PEL 92, securing tenure over this strategically important oil producing province, initially for up to 15 years. Gross oil production was 2.0 MMbbl (1.5 MMbbl net), up 16% on the prior year, mainly due to new development wells in the Butlers and Callawonga fields, and the Windmill field being brought on-line. The average production was around 5,600 bopd (4,200 bopd net).

PEL 104 and 111

(Beach 40%, Senex 60% and operator)

Gross oil production was 1.6 MMbbl (0.6 MMbbl net), down 4% on the prior year, mainly due to natural field decline. The Spitfire oil field had four wells successfully completed, split evenly between appraisal and development. Spitfire-3, -4 and -6 were brought on-line in May/June, with Spitfire-5 expected to come on-line during FY15.

PEL 106

(Beach 50% and operator, Drillsearch 50%)

Gross gas and gas liquids production was 0.9 MMboe (0.5 MMboe net), up 60% on the prior year, mainly due to a full year of gas sales to the SACB JV.

Nappamerri Trough Natural Gas

PRLs 33 to 49

(Beach 70% and operator, Chevron 30%)

ATP 855

(Beach 46.9% and operator, Chevron 18%, Icon 35.1%).

A total of 18 wells have now been drilled as part of the exploration phase of the project. Of these, 11 have been fracture stimulated and nine flow tested. The work undertaken to date continues to increase the understanding of the geology and technical approach to gas extraction from the target Permian formations. The program remains on track to meet its agreed targets within the set joint venture timeframes.

International

In Egypt, drilling continued in the Abu Sennan Concession in the Western desert with El Salmiya-3, -4 ST1, and Al Jahraa-2 ST1 completed. Oil and associated gas was discovered in a new zone at the El Salmiya-2 well, with gross 2P reserves estimated at 13.1 MMbbl of oil and a contingent resource of 21.2 Bcf of associated gas. Gross Egyptian production was 663 kbbl (61 kbbl net entitlement), up 6% on the prior year.

In Tanzania, the main activity focused on the continuation of the baseline metocean study, designed to assist with identifying drilling targets within the lake.

In Romania, the 01RX offshore exploration well was drilled and plugged and abandoned after intersecting only minor gas shows.

Summary of financial results

	FY14 $000	FY13 $000
Consolidated entity profit attributable to equity holders of Beach	**101,777**	153,650

Key financial results

		FY14	FY13	Change
Income				
Sales revenue	$000	**1,052,129**	698,211	51%
Total revenue	$000	**1,057,724**	700,460	51%
Cost of sales	$000	**(639,937)**	(466,403)	(37%)
Gross profit	$000	**412,192**	231,808	78%
Other income	$000	**19,537**	29,370	(33%)
Net profit after tax (NPAT)	$000	**101,777**	153,650	(34%)
Underlying NPAT	$000	**259,220**	140,756	84%
Dividends paid	cps	**4.00**	2.25	78%
Final dividend declared	cps	**2.00**	2.00	0%
Basic EPS	cps	**7.95**	12.17	(35%)
Underlying EPS	cps	**20.26**	11.15	82%
Cash flows				
Operating cash flow	$000	**582,611**	261,273	123%
Investing cash flow	$000	**(491,619)**	(279,775)	(76%)
		As at 30 June 2014	As at 30 June 2013	
Financial position				
Net assets	$000	**1,870,773**	1,782,506	5%
Cash balance	$000	**411,307**	347,601	18%

Revenue

Sales revenue was up 51% from $698 million, to a record $1.052 billion, due to record oil sales volumes, higher prices and a lower AUD/USD exchange rate. Sales revenue from production was $246 million higher along with an increase in third party sales of $108 million. Sales volumes of 10.8 mmboe for FY14 was a record, due to record oil production and higher third party volumes, offset by lower gas sales volumes as certain contracts expired during the period.

The average realised oil price increased to A$126/bbl, up A$16/bbl from FY13, due to both a higher US$ oil price and a fall in the average AUD/USD exchange rate during the year.

Total revenue for FY14 increased by 51% to a record $1.058 billion, up from $700 million in FY13.

Gross profit

Total cost of sales was $640 million for FY14, was up 37% from FY13, primarily due to higher third party purchases - $95 million, depreciation - $58 million, royalties - $22 million and carbon cost - $4 million, partly offset by lower operating costs - $5 million. The increases in depreciation and royalties are mainly due to increased production and activity on the Cooper Basin Western Flank. Third party purchases increased due to additional oil deliveries through the SACB JV facilities at Moomba.

In comparing the FY14 gross profit to that of FY13, as summarised in the waterfall right, the key drivers are as follows:

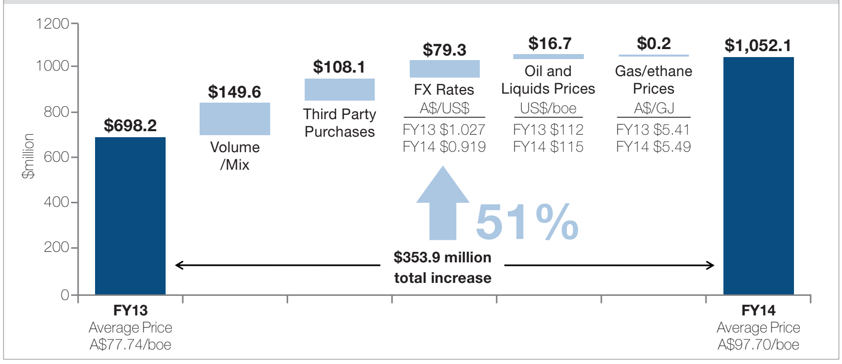
- Higher sales revenue from higher oil sales volumes and higher prices; and
- Partly offset by
  - Higher third party purchases;
  - Higher depreciation from increased production; and
  - Higher royalties from increased sales.

Net profit after tax (NPAT)

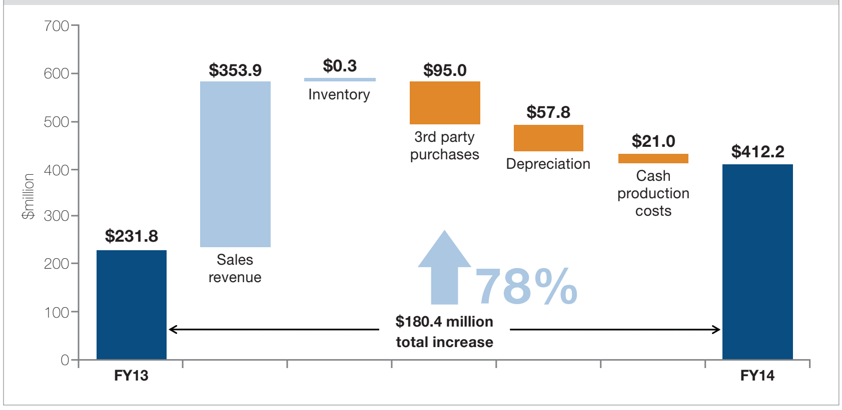
Other income was $20 million, down by $9 million from FY13, and mainly consisted of $16 million of gains on the sale of joint venture interests, including the sale of Beach's interest in the Williston Basin, USA and $3 million of other asset sales.

Other expenses were up $181 million to $222 million, mainly due to impairment of Egyptian exploration assets ($149 million) and the Paralana geothermal project ($13 million) as well as the increased mark to market loss on the convertible note conversion rights.

Sales Revenue Comparison



Gross Profit Comparison



The NPAT for FY14 of $102 million is $52 million lower than FY13, due to the non-cash impairment charges totalling $162 million offsetting the record operating performance of the company.

Underlying NPAT

By adjusting FY14 NPAT to exclude impairment, unrealised and non-recurring items (as per the table below), the underlying NPAT for the consolidated entity for FY14 was a record $259 million. This represents an 84% increase on FY13, driven primarily by a stronger operating result with increased oil sales volumes.

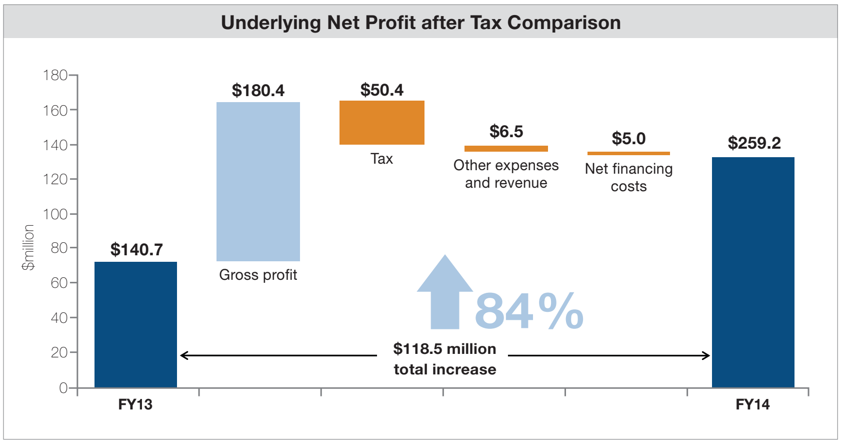
Assets

Total assets have increased significantly by $250 million to $2,655 million.

Cash balances increased by $64 million to $411 million, primarily due to:

- Cash flow from operations of $583 million;
- Sale of joint venture interests totalling $21 million; and
- Proceeds on the exercise of options of $4 million
- Partly offset by:
  - Capital expenditure of $500 million;
  - Purchase of investments and exploration interests of $12 million; and
  - Dividends paid of $31 million.

Comparison of underlying profit	FY14 $000	FY13 $000	Movement from PCP $000	Change
Net profit after tax	**101,777**	**153,650**	**(51,873)**	**(34%)**
Remove unrealised hedging (gains) / losses	**20**	404	(384)	
Remove mark to market of convertible note derivative	**14,328**	3,091	11,237	
Remove asset sales	**(15,693)**	(26,563)	10,870	
Remove impairment of assets	**162,244**	3,475	158,769	
Tax impact of above changes	**(3,456)**	6,699	(10,155)	
Underlying net profit after tax	**259,220**	**140,756**	**118,464**	**84%**



Trade and other receivables decreased by $42 million, mainly due to lower sales debtors at period end along with lower joint venture receivables. Inventories were $16 million higher due to increased gas inventories in storage held at year end.

Available for Sale (AFS) assets increased by $28 million due to purchase of additional listed investments of $10 million plus revaluation adjustments of $18 million booked through the AFS reserve.

Fixed assets, development and exploration increased by $177 million, due to capital expenditure of $521 million and increases for restoration of $16 million, partly offset by amortisation and depreciation of $185 million, impairment charges of $162 million, disposals of $8 million and foreign exchange movements of $5 million.

Prepayments for the year increased by $7 million, mainly due to prepaid royalties.

Liabilities

Total liabilities increased by $162 million to $784 million, mainly due to tax payable for FY14 of $65 million and increased deferred tax liability of $43 million arising from timing differences on capital expenditure incurred during the period. Borrowings increased by $7 million and provisions increased by $28 million, mainly due to the unwinding of the discount on the convertible note and restoration provision, as well as for increases in restoration costs and for new wells drilled during the period and a higher carbon tax provision. Other movements included an increase in creditors ($33 million) due to higher activity levels across the Cooper Basin as well as an increase in derivative liabilities of $14 million, due to the change in value of the convertible note conversion rights.

Equity

Equity increased by $88 million, mainly due to the net profit after tax of $102 million, shares issued during the year primarily from the dividend reinvestment plan and the exercise of options ($26 million) and an increase in reserves movements ($11 million), offset by dividends paid during the year ($51 million).

Dividends

During the financial year the Company paid the FY13 final fully franked dividend of 2.0 cents per share, as well as an interim fully franked dividend of 1.0 cent per share and a special fully franked dividend of 1.0 cent per share. The Company will also pay a FY14 fully franked 2.0 cents per share final dividend.

State of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not disclosed elsewhere in the Directors' Report.

Matters arising subsequent to the end of the financial year

Lake Tanganyika South Block Farm-in

On 14 July 2014, Beach entered into an agreement to transfer 70% of its 100% interest in the Lake Tanganyika South Block, Tanzania, to a wholly owned subsidiary of Woodside Petroleum Limited (ASX: WPL). Completion of the transaction is conditional on Tanzanian Government consents. While the detailed transaction terms remain confidential, Woodside will reimburse its share of back costs incurred by Beach; fund a further round of seismic operations over the next 12 months; and contribute to Beach's share of costs associated with an initial exploration well (subject to an agreed cap), should it elect to proceed with the program beyond the seismic operations. Beach will remain operator throughout the next stage of seismic operations, with Woodside having the option to become operator at a later date.

Carbon tax

On 17 July 2014, the Clean Energy Legislation (Carbon Tax Repeal) Bill 2014 and 6 related Bills received Royal Assent, abolishing the carbon tax from 1 July 2014. No carbon expense or recovery will be recognised in respect of FY15 and future years.

Cooper Basin – ATP 924

On 28 July 2014, Beach executed an agreement with Drillsearch to explore for oil in ATP 924 within the Cooper Basin in Queensland. The agreement is a two staged process whereby Beach will fund approximately 150 km^2 of current 3D seismic activities and drill an initial exploration well. Should Beach elect to continue beyond this initial well, it will drill a further exploration well and reimburse Drillsearch for past costs to earn its 45% interest, including other seismic operations being conducted by Drillsearch. Documentation governing the potential future joint venture has been agreed, with Drillsearch to remain operator of the permit. Beach will manage the operations of all activities associated with its wholly funded initial exploration wells. ATP 924 lies on the Northern flank of the Cooper Basin, between the existing Cook and Inland oil fields, and covers an area of approximately 2,300 km^2.

Land acquisition

In August 2014, Beach executed an agreement with the South Australian State Government to acquire a 2.14 hectare parcel of land, adjacent its current head office corporate facilities at 25 Conyngham Street, Glenside. The site includes the current Glenside State Drill Core Reference Library building, the heritage listed Z-Ward and a vacant parcel of land fronting Conyngham Street.

Other than the above matters, there has not arisen in the interval between 30 June 2014 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years, unless otherwise noted in the Financial Report.

Future developments

The Australian and international drilling program in FY15 is expected to include around 140 wells, two thirds of which are forecast to be development and one third exploration/appraisal. Annual production guidance for FY15 is 8.6 to 9.4 MMboe, with capital expenditure guidance of $450 to $500 million. Beach anticipates it will be able to fund its FY15 capital expenditure activities in full as a result of its financial position and anticipated strong operating cash flow.

Cooper Basin

SACB and SWQ JVs

A significant portion of capital expenditure for FY15 will be undertaken in the SACB JV and SWQ JV acreage, with 70-80 wells expected to be drilled. Of this, up to 50-60 wells will be drilled as part of the infill gas development program, with the balance to be directed at oil development, appraisal and exploration. Total Delhi capital expenditure is expected to be up to $290 million, with two thirds of this relating to wells drilled and the residual relating to infrastructure upgrades, mainly relating to the Moomba facility.

The Santos operated unconventional gas program, in the Nappamerri Trough and around Moomba, is still under development. Delhi anticipates drilling a number of wells across the permits as part of the continuing assessment of the Roseneath, Epsilon and Murteree (REM) play and the Patchawarra Formation gas potential.

Western Flank oil

Over the course of FY15, Beach will endeavour to keep its Western Flank flowlines at close to maximum available capacity. This will be driven by existing wells, development wells, expected exploration and appraisal success, as well as the connection of new field discoveries. Additional seismic operations are planned for the region, with 500 km^2 of 3D data to be acquired in PEL 91 and 250 km^2 in PELs 104 and 111. Along with a planned 25 operated wells (15 exploration/appraisal and 10 development) and a number of non-operated wells (still to be agreed to by the joint venture), total capital expenditure for the Western Flank is estimated at $110 million.

Operated gas

Within PEL 106, agreement has been reached with the Joint Venture to drill three exploration wells and one appraisal well.

Eastern Flank oil

Wells expected to be drilled in the first half of 2015 include a well in ATP 732 to complete the farm-in with Bengal Energy, and one in ATP 924 to start the farm-in with Drillsearch.

Nappamerri Trough Natural Gas

It is anticipated that the current exploration phase of the Nappamerri Trough Natural Gas ventures will be completed during the second half of the financial year. Over the coming 12 months, up to eight wells are planned for fracture stimulation across the two permits, with some wells to be revisited to target as yet untested shallower intervals. Four of the wells to be fracture stimulated will be in ATP 855, with the balance to be undertaken in the PRLs in South Australia.

International

Beach continues to have exposure to oil plays through its international business, which is reflected in the planned drilling program of three development wells and three exploration/appraisal wells in Egypt.

In Tanzania, Beach and its joint venture partner Woodside Petroleum Ltd will commence transition 2D seismic, designed to provide further infill seismic information on the lake as well as new seismic to be undertaken onshore. The acquisition, processing and interpretation of the data is expected to be completed in 2015.

As part of its portfolio management, Beach will continue to review its international assets some of which may be considered for divestment.

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 contracts or licences during the financial year.

Beach is implementing procedures to manage the reporting requirements under the Energy Efficiencies Opportunities Act and the National Greenhouse and Energy Reporting Act.

Dividends paid or recommended

Since the end of the financial year the directors have resolved to pay a fully franked dividend of 2.0 cents per share on 26 September 2014. The record date for entitlement to this dividend is 5 September 2014. The financial impact of this dividend, amounting to $25.9 million, has not been recognised in the Financial Statements for the year ended 30 June 2014 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
FY13 full year	9 September 2013	27 September 2013	2.00	$25.4 million
FY14 half year	7 March 2014	28 March 2014	1.00	$12.8 million
FY14 half year (special)	7 March 2014	28 March 2014	1.00	$12.8 million

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

Share options and rights

Share option and 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 options and rights issued to executives as remuneration, refer to the Remuneration Report.

During the financial year, the following movement in share options and rights to acquire fully paid shares occurred:

Employee options

During the financial year, the remaining 2006 Tranche A and B Long Term Incentive Options lapsed during the year pursuant to their terms of issue with only 425,000 being exercised. The 2007 options were all exercised during the financial year.

Employee rights

On 30 August 2013, Beach issued 292,282 unlisted rights pursuant to the Executive Incentive Plan for the 2012 short term incentive offer. Half of the unlisted performance rights vest 1 July 2014 with the balance vesting on 1 July 2015 subject to the holder of the rights remaining employed with Beach on the vesting dates. On 2 December 2013, Beach issued a further 2,066,744 Long Term Incentive unlisted rights under the Executive Incentive plan. These rights, which expire on 30 November 2018, are exercisable for nil consideration and are not exercisable before 1 December 2016.

Information on directors

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

Glenn Stuart Davis

Independent Non-Executive Chairman – *LLB, BEc, FAICD*

Experience and expertise

Mr Davis is a solicitor and principal of DMAW Lawyers, a firm he founded. He joined Beach in July 2007 as a non-executive director and was appointed non-executive Deputy Chairman in June 2009 and Chairman in November 2012. Mr Davis brings to the Board his expertise in the execution of large legal and commercial transactions and his expertise and experience in corporate activity regulated by the Corporations Act and ASX Limited.

Current and former directorships in the last 3 years

Mr Davis is a director of ASX listed companies Monax Mining Limited (since 2004) and Marmota Energy Limited (since 2006).

Responsibilities

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

Date of appointment

Mr Davis was elected to the Board on 6 July 2007, last having been re-elected to the Board on 24 November 2011.

Employee Options	Balance at beginning of financial year	Exercised during the financial year	Cancelled during the financial year	Expired during the year and not exercised	Balance at end of financial year
2006 LTI Options Issued 1 December 2006	4,850,000	(425,000)	–	(4,425,000)	–
2007 LTI Options Issued 28 February 2008	2,258,977	(2,258,977)	–	–	–
Total	**7,108,977**	**(2,683,977)**	**–**	**(4,425,000)**	**–**

Employee Rights	Balance at beginning of financial year	Issued during the financial year	Exercised during the financial year	Expired during the year and not exercised	Balance at end of financial year
2010 LTI unlisted rights Issued 1 December 2010	5,453,895	–	(5,453,895)	–	–
2011 LTI unlisted rights Issue 1 December 2011	2,566,470	–	–	–	2,566,470
2011 STI unlisted rights Issue 14 September 2012	1,503,990	–	(751,995)	–	751,995
2012 LTI unlisted rights Issue 21 December 2012	1,848,839	–	–	–	1,848,839
2012 STI unlisted rights Issue 30 August 2013	–	292,282	–	–	292,282
2013 LTI unlisted rights Issue 2 December 2013	–	2,066,744	–	–	2,066,744
Total	**11,373,194**	**2,359,026**	**(6,205,890)**	**–**	**7,526,330**

Reginald George Nelson

Managing Director
– BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD

Experience and expertise

Mr Nelson is an exploration geophysicist with experience in the minerals and petroleum industries spanning more than four decades. He has been recognised by these industries, notably through honorary Life Membership of the Society of Exploration Geophysicists (awarded in 1989), the Prime Minister's Centenary Medal for services to the Australian mining industry (awarded in 2002) and APPEA's Reg Sprigg Gold Medal (awarded in 2009) for outstanding services to the Australian oil and gas exploration and production industry. He has also been recognised for his support of environmental and conservation matters by the honorary award of Life Membership of Nature Foundation SA in 2010.

Mr Nelson has wide experience in technical, corporate and government affairs throughout Australia and internationally, particularly in the petroleum and mineral industries, and was formerly Director of Mineral Development for the State of South Australia. He was a director of the Australian Petroleum Production and Exploration Association (APPEA) for eight years, which is recognised as the principal oil and gas industry body for Australia, as well as being the Chairman of its board of directors from 2004 to 2006.

Current and former directorships in the last 3 years

Mr Nelson was a director of ASX listed companies, Ramelius Resources Limited (from 1995 until August 2012), Monax Mining Limited (from 2004 until August 2012), Marmota Energy Limited (from 2006 until August 2012) and Sundance Energy Australia Limited (from 2010 until December 2011).

Responsibilities

In addition to his responsibilities as Managing Director, he is relied upon by the Board to lead the development of strategies for the development and future growth of Beach.

Date of appointment

Mr Nelson was appointed on 25 May 1992.

John Charles Butler

Lead Independent Non-Executive Director
– FCPA, FAICD, FIFS

Experience and expertise

Mr Butler joined Beach in June 1999 as a non-executive director, having been previously the alternate director to Mr Nelson from 1994-1998. He brings to the Board financial and business experience from employment in senior management positions in the financial services industry from 1974 to 1992. He has been a business consultant and company director since 1992.

Current and former directorships in the last 3 years

He is the former chairman of Lifeplan Australia Friendly Society Group (from 1984 to 2013) and a was a director of Australian Unity Limited (from 2009 to October 2013)

Responsibilities

Effective 1 July 2014, Mr Butler was appointed as the Lead Independent Director. His special responsibilities include chairmanship of the Audit Committee and the Corporate Governance Committee.

Date of appointment

Mr Butler was elected to the Board on 23 June 1999, last having been re-elected to the Board on 29 November 2013.

Belinda Charlotte Robinson

Independent Non-Executive Director
– BA, MEnv Law, GAICD

Experience and expertise

Ms Robinson joined Beach in May 2011. Ms Robinson is the chief executive and executive director of Universities Australia, the national body representing Australia's 39 universities to Government. Prior to that Ms Robinson was the chief executive of the Australian Petroleum Production & Exploration Association (APPEA), a role she held for six and a half years. Having held a number of senior and senior executive positions within the federal Government, including almost a decade with the Department of the Prime Minister and Cabinet, and as a former chief executive of the Australian Plantation Products & Paper Industry Council, Ms Robinson brings to the Beach Board extensive knowledge and experience in public policy, government processes, political advocacy, change management and corporate governance. She is a graduate member of the Australian Institute of Company Directors, has completed the Company Director Diploma, was selected to participate in the AICD's ASX Chairman's Mentoring Program and has held positions on numerous not-for-profit boards and management/advisory committees.

Responsibilities

Her special responsibilities include chairmanship of the Remuneration and Nomination Committee since November 2012.

Date of appointment

Ms Robinson was elected to the Board on 27 May 2011, last having been re-elected to the Board on 24 November 2011.

Fiona Rosalyn Vivienne Bennett

Independent Non-Executive Director
– BA(Hons) FCA, FAICD, FAIM

Experience and expertise

Ms Bennett joined Beach in November 2012. Ms Bennett is a Chartered Accountant with over 30 years' experience in business and financial management, corporate governance, risk management and audit. She has previously held senior executive positions at BHP Billiton Limited and Coles Group Limited, and has been the Chief Financial Officer at several organisations within the health sector. Ms Bennett is a graduate of The Executive Program at the University of Virginia's Darden Graduate School and the AICD Company Directors' course.

Current and former directorships in the last 3 years

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

Responsibilities

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

Date of appointment

Ms Bennett was elected to the Board on 23 November 2012.

Douglas Arthur Schwebel

Independent Non-Executive Director
– PhD B. Sc (Hons) (Geology)

Experience and expertise

Dr Schwebel joined Beach in November 2012. Dr Schwebel has over 30 years' experience in the resources sector, having held various senior executive positions with ExxonMobil including Exploration Director for its Australian upstream subsidiaries.

His 26-year career with ExxonMobil included exploration and resource commercialisation and strategy roles in Australia, the USA and Asia. Between 2008 and 2011 he was Chief Executive Officer of the privately owned Pexco NV and its Australian subsidiary Benaris International Pty Ltd.

Current and former directorships in the last 3 years

He is currently a director of Tap Oil Limited (since 2012).

Responsibilities

His special responsibilities include membership of the Audit Committee.

Date of appointment

Dr Schwebel was elected to the Board on 23 November 2012.

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

Franco Giacomo Moretti

Lead Independent Non-Executive Director – *BE (Hons), FIEAust, MAICD*

Experience and expertise

Mr Moretti joined Beach as a non-executive director in March 2005. He is an engineer with over 40 years' experience in engineering, procurement and project management of major projects as a consultant to government and private enterprise in the delivery of major infrastructure projects in Australia and overseas. Mr Moretti brings to the Board extensive experience in the delivery and management of major projects. Mr Moretti was formerly Chief Executive Officer of Asia Pacific Transport Pty Limited, responsible for building, owning, financing and operating the Alice Springs to Darwin railway project. He was previously with Kellogg Brown & Root as Director, Infrastructure Investment and Kinhill where he was a board director.

Responsibilities

Mr Moretti was the Lead Independent Director until his retirement. His special responsibilities with Beach included chairmanship of the Corporate Governance Committee.

Date of appointment

Mr Moretti was elected to the Board on 1 March 2005, last having been re-elected to the Board on 29 November 2013. Mr Moretti retired effective 1 July 2014.

Directors' meetings

The Board of Beach met ten times, the Audit Committee met eight times, the Corporate Governance Committee met three times and the Remuneration and Nomination Committee met four times during the financial year. In addition to formal meetings held, a number of members of the Board also attended the annual conference of the Australian Petroleum Production and Exploration Association. The number of meetings attended by each of the directors of Beach during the financial year was:

	Number of Directors' meetings		Audit Committee meetings		Corporate Governance Committee meetings		Remuneration and Nomination Committee meetings	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
G S Davis	10	10	–	–	3	3	4	4
R G Nelson	10	10	–	–	–	–	–	–
F R V Bennett	10	9	8	8	–	–	4	4
J C Butler	10	10	8	8	3	3	–	–
F G Moretti	10	10	–	–	3	3	–	–
B C Robinson	10	10	–	–	–	–	4	4
D A Schwebel	10	10	8	8	–	–	–	–

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 Butler	F R V Bennett, D A Schwebel
Corporate Governance	J C Butler	G S Davis
Risk	F R V Bennett	G S Davis, R G Nelson, J C Butler, B C Robinson, D A Schwebel
Remuneration and Nomination	B C Robinson	G S Davis, F R V Bennett

Indemnity of directors and officers

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

Company Secretaries

Kathryn Anne Presser

Chief Financial Officer and Company Secretary
– *BA (Accounting), Grad Dip CSP, FAICD, FCPA, FGIA, FCIS, AFAIM*

Ms Presser joined Beach in January 1997 and was appointed to the role of Company Secretary in January 1998. Appointed as the Chief Financial Officer in June 2005, Ms Presser has over 30 years' experience in senior accounting and company secretarial roles and is a qualified chartered secretary. She is currently a fellow of CPA Australia and the Governance Institute of Australia and is also a member of the Petroleum Exploration Society of Australia. She is a director of Mawson Petroleum Pty Limited. She is a Fellow of the Australian Institute of Company Directors and has completed the Company Director Diploma and was selected to participate in the AICD's ASX 200 Chairman's Mentoring Program in 2012 and currently holds positions on not-for-profit boards and management/advisory committees.

Catherine Louise Oster

General Counsel and Joint Company Secretary
– *BA (Jurisprudence), LLM (Corporate & Commercial), FGIA, FCIS*

Ms Oster was appointed Joint Company Secretary in July 2005. Ms Oster has more than 25 years' experience as a lawyer and a partner in private practice, advising on corporate and commercial transactions. Ms Oster is a qualified chartered secretary. She is a member of the Governance Institute of Australia, the Australian Institute of Company Directors, the Law Society of South Australia, AMPLA and the Australian Corporate Lawyers Association. She also serves on the SA&NT State Council of the Governance Institute of Australia and currently holds positions on not-for-profit boards and management / advisory committees.

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, Grant Thornton South Australian Partnership for audit and non-audit services provided during the year are set out at Note 8 to the financial statements.

Rounding off of amounts

Beach is an entity to which ASIC Class Order 98/100 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 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.

Section 307C of the Corporations Act 2001 requires our auditors, Grant Thornton South Australian Partnership, to provide the directors of Beach with an Independence Declaration in relation to the review 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 s298(2) of the Corporations Act 2001.

On behalf of the directors

R G Nelson

Managing Director

Adelaide, 25 August 2014

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67 Greenhill Rd
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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF BEACH ENERGY LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Beach Energy Limited for the year ended 30 June 2014, I declare that, 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.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 25 August 2014

Grant Thornton South Australian Partnership ABN 27 244 906 724
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

REMUNERATION REPORT

The directors present the Remuneration Report prepared in accordance with section 30 of the Corporations Act 2001 (Cth) (Corporations Act) for the consolidated entity for the financial year ended 30 June 2014 (FY14). This Remuneration Report has been audited as required by section 308(3C) of the Corporations Act and forms part of the Directors' Report.

This report details the key remuneration activities for the financial year ending 30 June 2014 and provides remuneration information in relation to the Company's directors, the Managing Director and the Company's senior executives who are the key management personnel (KMP) of the consolidated entity for the purpose of the Corporations Act and the Accounting Standards.

Key FY14 remuneration outcomes

Fixed Remuneration	This financial year the Managing Director and the senior executives' total fixed remuneration increased by 0.25% in line with the legislated increase in the guarantee superannuation contribution on 1 July 2013.
Short Term Incentive (STI)	In FY14, the Company exceeded its underlying NPAT KPI and partially achieved its production, safety and morale KPIs and exceeded other individual KPIs as assessed by the Board, which resulted in an average STI award being made of 34%, up from 15% in FY13, of the maximum that could be paid. Half of this award is paid in cash and has been included in FY14, with the remaining half to be awarded in performance rights with an employment retention condition. STI performance rights issued in 2011 to the Managing Director and senior executives, following assessment of the performance of KPIs by the Board, converted automatically to shares on the employment retention condition being met on 1 July 2013.
Long Term Incentive (LTI)	LTI plan rights which are subject to performance conditions to be measured over three years were issued to senior executives during the reporting period following shareholder approval at the 2013 annual general meeting. LTI plan rights issued in December 2010 were measured during the year. The measure, Beach's total shareholder return (TSR), was 114.5% which ranked above the seventy fifth percentile and was the highest of the comparator group resulting in 100% of the rights vesting. All 2007 LTI plan options which had vested in a previous reporting period were exercised at a price of $1.422 per option by senior executives, with the Company receiving a total of $3.212 million upon conversion of these options. Remaining 2006 LTI plan options which had vested in previous reporting periods were either exercised or lapsed on expiry of their term. A total of $598,000 was received from a senior executive by the Company upon exercise of these options during the year.
Non-executive directors	Non-executive directors' base fees and committee fees did not increase for the financial year, with the increase in total remuneration in FY14 reflecting a full year of increases that were made in November 2012.

Voting and comments made at the Company's 2013 Annual General Meeting

Beach received more than 97.65% of "yes" proxy votes on its Remuneration Report for FY13. The resolution to adopt the Remuneration report was passed unanimously and no specific feedback on Beach's remuneration practices was received at the 2013 annual general meeting.

1. What is in this report?

This report:

- Explains Beach's policy and framework for structuring and setting remuneration of its KMP to align with company objectives and performance – see section 2;
- Describes how Beach makes decisions about remuneration – see section 3;
- Describes how Beach engages with external remuneration advisers and other stakeholders – see section 4;
- Details the structure of remuneration for its senior executives – see section 5;
- Describes how the company links incentives to company performance – see section 6;
- Details senior executive employment arrangements – see section 7;
- Details total remuneration for senior executives calculated pursuant to legislative and accounting standard requirements and also provides a summary of realised remuneration – see section 8;
- Explains Beach's remuneration policy for non-executive directors – see section 9;
- Details total remuneration for non-executive directors calculated pursuant to legislative and Accounting Standard requirements – see section 10; and
- Details additional remuneration disclosures required by the law – see section 11.

2. Beach's policy and framework

Beach's key objective is to increase shareholders' wealth through profitable investment in exploration, development and production of oil and gas and related energy resources.

Beach's remuneration policy and framework is designed to attract a diverse group of non-executive directors who as a collective having set the Company's key objective oversee its implementation and achievement. In doing this, the Board also sets core values which it expects its senior executives to adhere to in achieving this objective.

Beach's remuneration policy for its senior executives is designed to:

- **Attract, motivate and retain** a skilled senior executive team focused on achieving the Company's objective by offering fixed remuneration that aligns the roles and responsibilities of the senior executive with market practice and prevailing economic conditions;
- **Link** 'at risk' performance based incentives to shorter term and longer term Company goals that contribute to the achievement of the Company's key objective; and
- **Align** the longer term 'at risk' incentive rewards with expectations and outcomes consistent with shareholder objectives and interests by:
  - Benchmarking shareholder return against a peer group of companies that could be considered as an alternative investment to Beach;
  - Giving share based rather than all cash based rewards to senior executives.

There are no significant changes to Beach's remuneration policy and framework for the coming financial year. The 'at risk' STI and LTI offers for the coming year are offered on a similar basis to the current reporting period noting that due to the Managing Director's retirement on 1 July 2015 no LTI plan offer was made to Mr Nelson.

3. How Beach makes decisions about remuneration

The Board has responsibility for making decisions about the remuneration of its KMP. To do this a Board subcommittee, the Remuneration and Nomination Committee oversees remuneration matters concerning Beach's KMP. It makes recommendations to the Board for its approval about remuneration policy, fees and remuneration packages for non-executive directors and senior executives.

The Committee's charter can be viewed or downloaded from the Company's website at *www.beachenergy.com.au*. In FY14, the Committee comprised the following non-executive directors:

Name	Position
B C Robinson G S Davis F R V Bennett	Committee Chairman

The Managing Director also attends parts of committee meetings that do not involve discussion about his own remuneration arrangements. Other executives may also attend committee meetings to provide management support.

4. External advisers and remuneration advice

Beach engaged independent remuneration adviser, Guerdon Associates (Guerdon) during the year to advise it and undertake work on KMP remuneration issues.

Guerdon was engaged by the Remuneration and Nomination Committee to undertake remuneration related work for the committee in accordance with its protocol. The protocol for the engagement of external remuneration advisers is used to ensure that the information, advice or work (whether or not it is a recommendation) the committee and the Board receives is free from any undue influence from management. One aspect of this protocol is that the committee, through its chairman, appoints and engages directly with the consultant in relation to remuneration matters for KMP. The terms of any engagement are finalised by the committee and all remuneration advice, work or recommendations are provided directly to the committee chairman. Management is involved in this process only to extent that it can assist the adviser by providing factual information requested by the adviser.

No remuneration recommendations were made to the Remuneration and Nomination Committee or the Board during the year. The work that the adviser undertook during the year involved TSR performance testing, LTI plan valuation, Rights plan valuation, Managing Director and senior executive market remuneration benchmarking and review, and a non-executive director market remuneration benchmarking and review. For these services it received fees of $58,562 (ex GST).

In addition to engaging external advisers to provide advice and undertake work on KMP remuneration issues, the committee may also request recommendations from the Managing Director about remuneration packages for Beach's senior executive team (other than the Managing Director). The committee also considers industry benchmarking information including the National Awards Group Incorporated remuneration survey. The Board through the Chairman and the chairman of the Remuneration and Nomination Committee consulted with governance specialists and other stakeholder groups during the year on a range of matters including KMP remuneration. These recommendations and views are taken into account in the recommendations made to the Board by the committee, recognising that there is no commonly held view on various key remuneration issues across these groups.

5. Senior executive remuneration structure

This section details the remuneration structure for senior executives.

Table 1: Details of Beach senior executives

Senior executives

Name	Position
R G Nelson	Managing Director
N M Gibbins	Chief Operating Officer/ EVP Australian Oil and International [1]
S B Masters	Group Executive Corporate Development/EVP Growth [1]
G M Moseby	Group Executive Portfolio Management/ EVP Planning Management [1]
C L Oster	General Counsel/Joint Company Secretary/ EVP Sustainability [1]
K A Presser	Chief Financial Officer/ Company Secretary/ EVP Corporate Services [1]
R A Rayner	Group Executive Commercial/EVP Australian Gas [1]

(1) *All positions altered with effect from 1 June 2014.*

The positions held by the following senior executives prior to 1 June 2014 were:

N M Gibbins
– formerly Chief Operating Officer
S B Masters
– formerly Chief Commercial Officer
G M Moseby
– formerly General Manager - Business Review and Planning
C L Oster
– formerly General Counsel/Joint Company Secretary
K A Presser
– formerly Chief Financial Officer/Company Secretary
R A Rayner
– formerly Group Executive Strategic Business and External Affairs

Remuneration mix

What is the balance between fixed and 'at risk' remuneration?	The remuneration structure and packages offered to senior executives for the period were: • Fixed remuneration; • Performance based remuneration consisting of an 'at risk' component comprising: — Short term incentive (STI) - an annual cash and/or equity based incentive, which may be offered at the discretion of the Board, linked to Company and individual performance; and — Long term incentive (LTI) - equity grants, which may be granted annually at the discretion of the Board, linked to performance conditions measured over an extended period, The balance between fixed and 'at risk' depends on the senior executives role in Beach. The Managing Director has the highest level of 'at risk' remuneration reflecting the greater level of responsibility of this role. Table 2 sets out the relative proportions of the three elements of the senior executives total remuneration packages for the FY13 and FY14 financial years that relate to performance and those that are not.

Table 2: Relative proportions of elements of remuneration packages

	Fixed Remuneration [1]	Performance based remuneration		At risk
	%	STI %	LTI %	%
Managing Director				
2014	**33**	**33**	**33**	**66**
2013	33	33	33	66
Senior executives				
2014	**51**	**23**	**26**	**49**
2013	51	23	26	49

[1] *These figures do not reflect the actual relative value derived by the senior executives from each of the components, which is dependent on actual performance targets for the "at risk" elements. These figures represent the maximum potential for each component.*

Fixed remuneration

What is fixed remuneration?	Senior executives are entitled to a fixed 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 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. For the reporting period fixed remuneration for senior executives increased by 0.25% to accommodate the legislated increase in the guarantee superannuation contribution that took effect on 1 July 2013.

6. Describes how the Company links performance to incentives

Beach's remuneration policy includes short and long term incentive plans that seek to encourage alignment of management performance with shareholder interests. The LTI in particular links long term management performance to an increase in shareholder value through a total shareholder return measure applied over an extended period.

The following Table shows Beach's gross revenue, net profit / (loss) after tax, dividends and reserves position for the last 5 financial years. It also shows the share price at the end of each of those financial years. As indicated, there has been a consistent return to shareholders through dividends and an increasing share price.

Table 3: Shareholder wealth indicators 2010 - 2014

	2010	2011	2012	2013	2014
Gross revenue ($ million)	$489.2	$498.2	$619.3	$700.5	**$1,057.7**
Net profit / (loss) after tax ($ million)	$33.1	$(97.5)	$164.2	$153.7	**$101.8**
Underlying net profit after tax ($ million)	$38.7	$42.1	$122.1	$140.8	**$259.2**
Share price at year-end (cents)	69.0	91.5	94.0	113.5	**168.0**
Dividends declared (cents)	1.75	1.75	2.25	2.75	**4.00**
Reserves (MMboe)	66	77	93	93	**86**

Short term incentive (STI)

What is the STI?	The STI is part of 'at risk' remuneration offered to senior executives. It measures individual and Company performance over a 12 month period coinciding with Beach's financial year. It is cash based and includes an equity component that may or may not vest. It is offered annually to senior executives at the discretion of the Board.
How does the STI link to Beach's objectives?	The STI is an at risk opportunity for senior executives to be rewarded for meeting or exceeding key performance indicators that are linked to Beach's key business objective. The STI is designed to motivate senior executives to meet Company expectations for success. Beach can only achieve its objectives if it attracts and retains high performing senior executives. An award made under the STI also serves as a retention incentive for senior executives. Half of the award is paid in cash with the remaining half issued as rights with a service condition component.
What are the performance conditions?	The performance conditions or key performance indicators (KPIs) are set by the Board for each 12 month period beginning at the start of a financial year. They reflect financial and operational goals of Beach that are essential in achieving Beach's key objective. They also reflect the values of Beach that are essential to ensure that success is achieved in an appropriate manner. Individual KPIs are also set for each senior executive to reflect their particular responsibilities. The key financial performance measure is based on the underlying net profit after tax for the relevant financial year, subject to Board discretion. The increase in oil and gas reserves and level of production over the period are two other key performance measures. Measures for safety and for employee morale are also incorporated to reflect two of Beach's core values: that safety takes precedence in all its operations, and that Beach's people are its key asset. The financial measure may be adjusted by the Board to take account of major changes in operating conditions such as an acquisition made or sale of an asset or impairment of an asset through the period. These key performance conditions were chosen to link a proportion of an employee's remuneration with Beach's performance for the period. These measures have a weighting of 90% of the STI and each senior executive has these KPIs. Other individual performance conditions are specific to a senior executive's role at Beach. The other individual KPIs have a total weighting of 10% of the total STI that could be achieved.
Are there different performance levels?	The Board sets KPI measures at threshold, target and stretch levels. A threshold objective must be achieved in any individual KPI before a participant is entitled to any payment for that KPI. A stretch level indicates a maximum performance outcome for a KPI.
What is the value of the STI award that can be earned?	The incentive payment if the KPIs are achieved is based on a percentage of a senior executive's fixed remuneration. The Managing Director can earn from 25% to a maximum of 100% of his fixed remuneration. The value of the award that can be earned by other senior executives ranges from 15% to a maximum of 45% of fixed remuneration.
How are the performance conditions assessed?	Financial measures and production expectations are reviewed against budget. Reserves are reviewed against a calculation of the level that reserves are replaced from the end of the previous reporting period. Non-executive directors assess the extent to which KPIs were met for the period after the close of the relevant financial year and once results are finalised. The assessment of performance of senior executives other than the Managing Director is made by the non-executive directors on the Managing Director's recommendation. The non-executive directors assess the achievement of the KPIs for the Managing Director.
Is there a threshold level of performance or gate before an STI is paid?	Yes. For the current year, unless the Beach group achieves a return on capital of at least 5% based on statutory net profit after tax then no STI is awarded or paid.
What happens if an STI is awarded?	On achievement of the relevant KPIs, one half of the STI award is paid in cash. Any cash that is earned pursuant to the STI is included in the financial statements for the financial year but paid after the conclusion of the financial year, usually in September after release of annual financial results. The remaining half of the STI award value is issued in retention rights that vest progressively over the next one to two years, subject to the senior executive remaining employed with Beach at each vesting date. If a senior executive leaves Beach's employment the rights will be forfeited. Early vesting of the rights may occur at the discretion of the Board if the senior executive leaves Beach due to death or disability. The Board also reserves the right to exercise its discretion for early vesting in the event of a change of control of the Company. There is a general discretion available to the Board, to allow early vesting of performance rights. However, the Board would require exceptional circumstances to exist before it would consider using its discretion.

STI Performance for the year

During the year the Board tested each senior executive's performance against the STI performance indicators set for the year. Those KPIs were discussed in section 5 of this report. In FY14, the Company exceeded its NPAT KPI and partially achieved its production, safety and morale KPIs and exceeded other individual KPIs as assessed by the Board, which resulted in an average STI award being made of 34%, up from 15% in FY13, of the maximum that could be paid. A summary of the results is set out below:

Table 4: STI Outcomes for FY14

Gate	**FY14 Measure for Gate**		**FY14 Financial Year**
Return on capital (ROC)	Based on statutory NPAT / average total equity (being the average total equity at the beginning and end of the financial year) of at least 5% to equate to shareholder expectation of return on investment		Achieved
KPI	**FY14 Measure**	**Weight**	**FY14 Financial Year Award**
Underlying NPAT (subject to Board discretion)	KPI measurable parameter based on growth of between 10% and 20%	35%	Fully achieved at stretch level
Reserves	KPI measurable parameter based on growth of between 10% and 20%	20%	Not achieved
Production	KPI measurable parameter based on growth of between 5% and 10%	20%	Partially achieved at threshold level
Safety	Based on Total Reportable Injury Frequency Rates for Beach operations.	10%	Partially achieved at threshold level
Employee Morale	Based on 2014 Employee Engagement Survey.	5%	Ranges from partially achieved to fully achieved
Functional or individual measures	Specific individual measures relevant to each senior executive's roles and responsibilities.	10%	Ranges from partially achieved to fully achieved
Total		**100%**	

As discussed above, half of the STI is paid in cash with the remainder to be awarded with the issue of retention rights. Payments of the cash component of the STI award in FY14 will not be made to senior executives until September 2014 but have been accrued in the FY14 financial accounts as it is payable as at the end of the financial year. The amount of cash earned by each senior executive in FY14 is shown in Table 10. Retention rights will be issued for the balance of the award in September 2014. Vesting of the retention rights is contingent on continued employment of senior executives for up to two years and will be expensed over the life of the rights.

In August 2013, STI rights were issued for the 2012 STI offer. Details of the number of rights issued to each senior executive are provided in Table 15. Those rights will not vest unless senior executives continue their employment with Beach for up to two years.

Table 5: STI Performance rights issued in FY14

The fair value of services received in return for STI rights 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.

	2012 Rights	**2012 Rights**	**2013 Rights**	**2013 Rights**
Number of securities issued	751,995	751,995	146,141	146,141
Share price	0.912	0.912	1.130	1.130
Exercise price	-	-	-	-
Volatility (average)	45.814%	41.872%	33.780%	39.022%
Vesting period (years)	1.0	2.0	1.0	2.0
Term	1.0	2.0	1.0	2.0
Risk free rate	2.460%	2.460%	2.530%	2.530%
Dividend yield	2.390%	2.390%	1.970%	1.970%
Fair value of security at grant date (weighted average)	0.912	0.912	1.112	1.091
Total fair value at grant date	**685,819**	**685,819**	**162,509**	**159,440**
Expensed FY13	(685,819)	(342,910)	-	-
Expensed FY14	-	(342,909)	(162,509)	(79,720)
Remaining expenditure in future years	**-**	**-**	**-**	**79,720**
	Retention met on 1 July 2013 and shares issued	*Retention met on 1 July 2014 and shares issued*	*Retention met on 1 July 2014 and shares issued*	*Retention to be tested on 1 July 2015*

Long Term Incentive (LTI)

What is the LTI?	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.
How does the LTI link to Beach's key objective?	The LTI links to Beach's key objective by aligning the longer term 'at risk' incentive rewards to senior executives with expectations and outcomes that match shareholder objectives and interests by: • Benchmarking shareholder return against a peer group of companies considered an alternative investment option to Beach. • Giving share based rather than cash based rewards to executives to link their own rewards to shareholder expectations of dividend return and share price growth.
What equity based grants are given and are there plan limits?	Performance rights are granted. If the performance conditions are met, senior executives have the opportunity to acquire one Beach share for every vested performance right. There are no plan limits as a whole for the LTI. This is due to the style of the plan combined with the guidance requested from external remuneration consultants about appropriate individual plan limits. Those individual limits for the plans that are currently operational are set out in Table 6.
What is the performance condition?	Beach has used a range TSR performance conditions for its LTI offers which are set out in Table 6. The most recent offer to senior executives uses a performance condition based on Beach's TSR performance relative to the ASX 200 Energy Total Return Index such that the initial out-performance level is set at the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the three year performance period. Further details are set out in Table 6.

Long term incentive (LTI) continued

Why choose this performance condition?	TSR is a measure of the return to shareholders over a period of time through the change in share price and any dividends paid over that time. The dividends are notionally reinvested for the purpose of the calculation. This performance condition was chosen to align senior executives' remuneration with a corresponding increase in shareholder value. The Board has reinforced the alignment to shareholder return by imposing two additional conditions. First, the Board sets a threshold level that must be achieved before an award will be earned. Secondly, the Board will not make an award if Beach's TSR is negative.
Does Beach have a policy to prohibit hedging of rights or options held in a Company remuneration plan?	The Corporations Act prevents KMPs and their closely related parties from entering into transactions that limit the economic risk of participating in unvested entitlements or vested entitlements subject to holding locks imposed by the Company in equity based remuneration schemes. Beach monitors this requirement through a policy that includes the requirement that a senior executive confirm compliance with the policy and/or provide confirmation of dealings in Beach securities on request. This prohibition is also reflected in Beach's share trading policy which can be viewed on Beach's website.
Is shareholders equity diluted when shares are issued on vesting of performance rights or exercise of options?	The Board has not imposed dilution limits having regard to the structure of the LTI plan as a whole and that the historical level rights on issue would result in minimal dilution. If all of the current performance rights vested at 30 June 2014, shareholders equity would have diluted by 0.58% (FY13 - 1.43%). It has been the practice of the Board when there is an entitlement to shares on vesting of performance rights to issue new shares. However, there is provision for shares to be purchased on market should the Board consider that dilution of shareholders equity is likely to be of concern.
What happens to LTI performance rights on a change of control?	The Board reserves the right to exercise its discretion for early vesting in the event of a change of control of the Company. Certain adjustments to a participant's entitlements may occur in the event of a company reconstruction and certain share issues.
Can remuneration be clawed back?	The Executive Incentive Plan rules that govern equity incentive grants made since 2010 has rules that enable the Board to take action in relation to vested and unvested entitlements where a senior executive acts fraudulently or dishonestly or in breach of his or her obligations to Beach. In these circumstances the Board may decide that entitlements such as shares or rights lapse or are forfeited or that cash awards be repaid or that the proceeds of the sale of shares be paid to the Company. Where an award vests because of the fraud, dishonesty or breach of obligations by a senior executive and other senior executives not involved also benefit, the Board may decide that the award has not vested or shares issued are forfeited to ensure that there is no unfair benefit. The Board may make a different award to those not involved in the inappropriate conduct. A claw back of incentive benefits applies to STI and LTI offers.

Table 6 – Details of LTI equity awards issued, in operation or tested during the year

Details	2010, 2011, 2012 and 2013 Rights	2007 Options	2006 Options
Type of Grant	Performance rights	Performance options	Performance options
Calculation of Grant limits for senior executives	**2012 and 2013 Rights** Max LTI is 100% of Total Fixed Remuneration (TFR) for MD 50% of TFR for other senior executives **2011 Rights** Max LTI is 100% of TFR for MD 60% – 80% of TFR for other senior executives according to position **2010 Rights** Max LTI is 200% of TFR for MD 60% – 120% of TFR for other senior executives according to position	TFR x Max LTI%/ market value of a share at grant date x 3: Where Max LTI =100% for MD and 40% - 60% for other senior executives	TFR x Max LTI%/ market value of a share at the grant date x 3: Where Max LTI =100% for MD and 60% for other senior executives
Grant Date	**2013 Rights** 2 Dec 2013 **2012 Rights** 21 Dec 2012 **2011 Rights** 1 Dec 2011 **2010 Rights** 1 Dec 2010	28 Feb 2008	1 Dec 2006
Issue price of Rights or Options	Granted at no cost to the participant	Granted at no cost to the participant	Granted at no cost to the participant
Performance period	**2013 Rights** 1 Dec 2013 – 30 Nov 2016 **2012 Rights** 1 Dec 2012 – 30 Nov 2015 **2011 Rights** 1 Dec 2011 – 30 Nov 2014 **2010 Rights** 1 Dec 2010 – 30 Nov 2013	28 Feb 2008 – 27 Feb 2011	1 Dec 2006 – 30 Nov 2009 with quarterly re-testing if unvested options remain
Performance Conditions for vesting **Note: No vesting will occur if Beach has a negative TSR.**	**2011 Rights and 2010 Rights and 2007 Options** Where Beach's TSR relative to the comparator group (see Table 7 below for this group) over the performance period is ranked: • < 50th percentile - 0% vesting • = 50th percentile - 50% vesting; • > 50th percentile and < the 75th percentile - a prorated number will vest; • = or > the 75th percentile – 100% vesting **2012 Rights for Managing Director** Beach's TSR performance relative to the total shareholder return performance of the companies in the S&P/ASX 300 Energy Index is ranked: • < 50th percentile - 0% vesting • = 50th percentile - 50% vesting; • > 50th percentile and < the 100th percentile - a prorated number will vest; • = 100th percentile – 100% vesting **2012 Rights and 2013 Rights** For Managing Director (only 2013) and for other senior executives (2012 and 2013) - Beach's TSR performance relative to the ASX 200 Energy Total Return Index such that the initial out-performance level is set at the Index return plus an additional 5.5% compound annual growth rate (CAGR) over the performance period such that: • < the Index return - 0% vesting • = the Index return - 50% vesting; • Between the Index return and Index + 5.5% - a prorated number will vest; • = or > Index return + 5.5% – 100% vesting		If Beach's TSR over the performance period is: • < 7% per annum compounded - 0% vesting; • = 7% per annum compounded – 25% vesting; • > 7% and < 12% per annum compounded – a pro-rated percentage will vest; • = 12% per annum compounded – 50% vesting; • > 12% and < 20% per annum compounded – a pro-rated percentage will vest; • = or > 20% per annum compounded – 100% vesting

Table 6 – Details of LTI equity awards issued, in operation or tested during the year (continued)

Details	2010, 2011, 2012 and 2013 Rights	2007 Options	2006 Options
Expiry /Lapse	Rights lapse if vesting does not occur on testing of performance condition	Options lapse if vesting does not occur on testing of performance condition	Unvested options are re-tested quarterly if vesting does not occur on testing of performance condition
Expiry Date	**2013 Rights** 30 Nov 2018 **2012 Rights** 30 Nov 2017 **2011 Rights** 30 Nov 2016 **2010 Rights** 30 Nov 2015	27 Feb 2015	30 Nov 2013
Exercise price on vesting	Not applicable – provided at no cost	Market value of a Beach share calculated as the weighted average of the prices at which Beach shares traded in the ordinary course of trading on ASX during the period of one week up to and including the day the options were granted.	
What is received on vesting?	One ordinary share in Beach for every one performance right	One ordinary share in Beach for each option that vests upon payment of the Exercise Price	
Status	**2013 Rights** In progress **2012 Rights** In progress **2011 Rights** In progress **2010 Rights** Testing completed. Resulted in 100% vesting of rights.	Tested and reported in a prior reporting period but still subject to exercise. All options exercised in the reporting period.	Tested and reported in a prior reporting period but still subject to exercise. All options exercised or lapsed in the reporting period.

Table 7: TSR Comparator Groups

Detailed below is the list of comparator companies used for the different LTI grants. This group is made up predominantly of Australian oil and gas exploration and development companies and other companies in the S&P/ASX 300 Energy list.

Companies removed from the TSR calculation because they have delisted are Arrow Energy Limited, Arc Energy Limited, Bow Energy Limited, Eastern Star Gas Limited, Innamincka Petroleum Limited, Queensland Gas Company Limited and Linc Energy Limited.

Companies	2011 Rights and 2010 Rights	2007 Options
AED Oil Ltd		x
AWE Ltd	x	x
Aurora Oil & Gas Ltd	x	
Dart Energy Ltd	x	
Horizon Oil Ltd	x	
Karoon Gas Australia Ltd	x	
Nexus Energy Ltd	x	x
Origin Energy Ltd		x
Oil Search Ltd	x	x
Petsec Energy Ltd		x
ROC Oil Company Ltd	x	x
Santos Ltd	x	x
Tap Oil Ltd		x
Woodside Petroleum Ltd	x	x

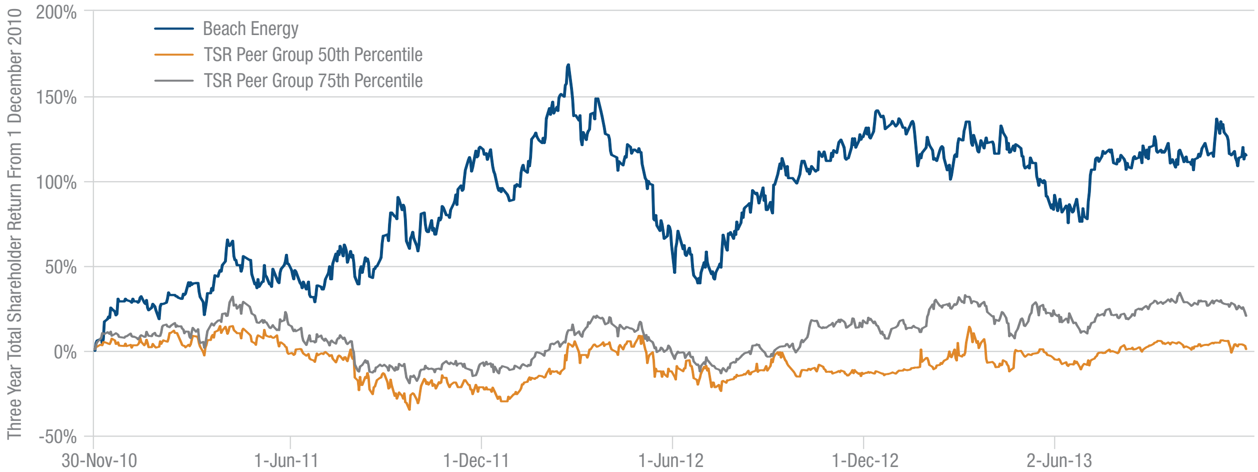
Table 8: Details of LTI performance options and rights at 30 June 2014

The fair value of services received in return for LTIs granted is measured by reference to the fair value of LTIs 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 rights and options 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 or options.

	2006 (A) Options	2006 (B) Options	2006 (C) Options	2007 Rights	2010 Rights	2011 Rights	2012 Rights	2013 Rights
Number of securities issued	3,060,000	3,060,000	1,971,552	4,439,958	5,453,895	2,566,470	1,848,839	2,066,744
Share price	1.406	1.406	1.406	1.423	0.670	1.411	1.470	1.350
Exercise price	1.406	1.406	1.406	1.423	-	-	-	-
Volatility (average)	9.800%	9.800%	9.800%	36.370%	37.410%	45.200%	44.925%	35.815%
Vesting Period (years)	0.6	1.6	3.0	3.0	3.0	3.0	3.0	3.0
Term	7.0	7.0	7.0	7.0	5.0	5.0	5.0	5.0
Risk free rate	5.550%	5.550%	5.550%	5.850%	5.345%	3.475%	2.600%	2.990%
Dividend yield	1.100%	1.100%	1.100%	1.100%	2.300%	1.400%	1.560%	2.400%
Fair value of security at grant date (weighted average)	0.877	0.877	0.358	0.637	0.670	1.411	0.772	0.672
Total fair value at grant date	**2,683,008**	**2,683,008**	**706,604**	**2,828,253**	**3,654,110**	**3,621,289**	**1,427,895**	**1,387,819**
Expensed in prior period	(2,683,008)	(2,683,008)	(562,071)	(2,398,278)	(1,928,558)	(704,140)	-	-
Cancelled in prior period	-	-	(144,533)	(429,975)	-	-	-	-
Expensed FY13	-	-	-	-	(1,218,037)	(1,207,096)	(277,646)	-
Expensed FY14	-	-	-	-	(507,515)	(1,207,096)	(475,965)	(269,854)
Remaining expenditure in future years	**-**	**-**	**-**	**-**	**-**	**502,957**	**674,284**	**1,117,965**
	Vested and expired Nov. 2013	*Vested and expired Nov. 2013*	*Forfeited*	*Vested*	*Vested*	*To be tested in Dec. 2014*	*To be tested in Dec. 2015*	*To be tested in Dec. 2015*

LTI Performance and outcomes during FY14

- LTI plan rights issued in December 2010 were measured. The measure, Beach's total shareholder return (TSR), was 114.5% which ranked above the seventy fifth percentile and was the highest of the comparator group resulting in 100% of the rights vesting as illustrated in the graph below (as sourced from Bloomberg).



LTI Performance and outcomes during FY14 (continued)

- All 2007 LTI plan options which had vested in a previous reporting period were exercised at a price of $1.422 per option by senior executives so that the Company received a total of $3.212 million; and
- The remaining Tranche A and Tranche B 2006 LTI plan options which had vested in previous reporting periods were either exercised or lapsed on expiry of their term. A total of $598,000 was received by the Company from a senior executive on exercise of these options during the year.

Details of other plans that senior executives have participated in that are still in operation: Employee Incentive Plan (EIP)

Senior executives have previously participated in the shareholder approved Employee Incentive Plan where at the Board's discretion, employees may be offered fully paid ordinary shares or options to acquire fully paid ordinary shares in Beach by way of non-recourse loans for a term of 10 years which are repayable on cessation of employment with the consolidated entity or expiry of the loan. The Board determined that senior executives will not participate in the EIP in the future. However, the senior executives will continue to participate in the EIP in respect of the shares already issued to them under the EIP. A total of $1,576,805 in EIP loans remains outstanding from employee shares issued in prior reporting periods to senior executives as detailed below:

Name	Issue Date	Expiry Date	Number of Shares	Outstanding loan value $
N M Gibbins	1 Jul 2006	1 Jul 2016	312,500	490,625
G M Moseby	1 Jul 2006	1 Jul 2016	312,500	490,625
S B Masters	1 Mar 2007	1 Mar 2017	250,000	275,000
C L Oster	1 Sep 2005	1 Sep 2015	75,000	58,889
C L Oster	1 Jul 2006	1 Jul 2016	166,666	261,666
Total			**1,116,666**	**1,576,805**

If interest was charged at arm's length based on the ATO statutory interest rate of 6.45%, the relevant interest charge in FY14 would be $102,704.

7. Employment Agreements – Senior Executives

The senior executives have employment agreements with Beach.

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

Managing Director of Beach

The details of Mr Nelson's (Managing Director) agreement are as follows:

- The Managing Director's employment agreement commenced with effect 1 July 2009 and was due to expire on 30 June 2014 unless terminated earlier as detailed below. On 9 September 2013 Mr Nelson extended his employment agreement to 1 July 2015;
- Beach may terminate the Managing Director's employment at any time for cause (for example, for serious breach) without notice;
- Any time after 30 June 2010, either Beach or the Managing Director may give six months' notice to the other of the termination of employment. The Managing Director may also give one months' notice of termination of his employment in the event that Beach requires him to permanently transfer to another location outside of the Adelaide metropolitan area;
- Upon termination of the appointment of the Managing Director for any reason (including by effluxion of time, death of the employee or total and permanent disablement) other than termination of his appointment by Beach without notice for cause, Beach will pay to the Managing Director a retirement payment equal to Final Average Remuneration. The Final Average Remuneration payment is calculated as the total of the remuneration received by the Managing Director from Beach in the three years immediately preceding the date of termination of employment, including salary, superannuation payments and the value of any non-monetary components of the annual remuneration package, but excluding any payments or other benefits under any incentive or bonus scheme, divided by 3.

Other Senior Executives

- Other senior executives have an employment agreement that is ongoing until terminated by either Beach on 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 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 1 times their final annual salary and in certain situations payment of relocation costs.

8. Details of total remuneration for senior executives calculated pursuant to legislative requirements for the FY13 and the FY14 financial years and a summary of realised remuneration for the FY14 financial year

Legislative and IFRS reported remuneration for Senior Executives

Details of the remuneration package by value and by component for senior executives in the reporting period and the previous period are set out in Table 9. These details differ from the actual payments made to senior executives for the reporting period that are set out in Table 10.

Table 9: Senior executives' remuneration for FY13 and FY14

Name and Year	Short Term Employee Benefits		Share based payments		Other long term benefits			
	Fixed Remuneration (1)	STI (2)	LTI Rights (3)	STI Rights (3)	Long Service Leave	Total	% Total at risk	% Total issued in equity
	$	$	$	$	$	$	%	%
R G Nelson								
2014	**1,320,063**	**361,765**	**1,035,808**	**259,389**	**34,005**	**3,011,030**	**55**	**43**
2013	1,312,500	164,063	1,142,269	417,188	32,813	3,068,833	56	51
N M Gibbins								
2014	**517,740**	**69,333**	**268,063**	**64,694**	**13,280**	**933,110**	**43**	**36**
2013	517,551	28,823	304,868	130,663	12,810	994,715	47	44
S B Masters								
2014	**491,124**	**66,302**	**253,980**	**61,865**	**19,881**	**893,152**	**43**	**35**
2013	490,000	27,563	285,866	124,950	11,204	939,583	47	44
G M Moseby								
2014	**491,863**	**64,460**	**253,980**	**52,678**	**12,566**	**875,547**	**42**	**35**
2013	482,425	27,563	285,866	97,388	2,827	896,069	46	43
C L Oster								
2014	**451,032**	**60,889**	**142,862**	**32,858**	**12,704**	**700,345**	**34**	**25**
2013	450,000	25,313	138,908	42,876	18,090	675,187	31	27
K A Presser								
2014	**513,575**	**69,333**	**299,907**	**64,694**	**3,277**	**950,786**	**46**	**38**
2013	512,400	28,823	381,294	130,663	12,810	1,065,990	51	48
R A Rayner								
2014	**501,147**	**65,776**	**205,833**	**48,961**	**5,274**	**826,991**	**39**	**31**
2013	500,000	28,125	163,709	85,001	3,043	779,878	35	32
Total								
2014	**4,286,544**	**757,858**	**2,460,433**	**585,139**	**100,987**	**8,190,961**	**46**	**37**
2013	4,264,876	330,273	2,702,780	1,028,729	93,597	8,420,255	48	44

(1) *Fixed remuneration comprises base salary and superannuation*

(2) *The cash component of the STI has been accrued as payable in FY14 based on KPIs met during the financial year but will only become payable in September 2014. The percentage of the STI that will be paid for the period and that was forfeited by each senior executive is set out on the next page:*

(3) *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 allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the options vest. The fair value of the options as at the date of their grant has been determined in accordance with principles set out in Note 37 to the Financial Report.*

Name	Maximum STI payable		Total
	Achieved	Forfeited	
R G Nelson	55%	45%	100%
N M Gibbins	60%	40%	100%
S B Masters [4]	30%	70%	100%
G M Moseby	58%	42%	100%
C L Oster	60%	40%	100%
K A Presser	60%	40%	100%
R A Rayner	58%	42%	100%

[4] As Mr Masters has resigned with effect 8 December 2014, he is not entitled to receive 50% of his STI payable for FY14 as 50% of this STI is payable in retention rights over 2 subsequent years.

Realised cash remuneration paid to Senior Executives in FY14

Beach believes that providing a summary in Table 10 (below) of what was actually paid or payable to senior executives in the reporting period is useful information for its investors and other stakeholders and provides clear and transparent disclosure of remuneration paid.

Disclosures required by the Corporations Act and Accounting Standards, particularly with the inclusion of accounting values for LTIs awarded but not vested, can significantly vary from the remuneration actually paid to senior executives. The Accounting Standards require a value to be placed on an option or right granted to a senior executive based on probabilistic models (such as Black Scholes) and included in a senior executive's salary package, even if ultimately the senior executive does not receive the benefit if the hurdles are not met and those options or rights do not vest. This has occurred in the past in relation to options granted in 2006 and could continue to occur with the ongoing testing of options and rights issued from 2010 onwards that may not vest.

Table 10: Realised cash remuneration of senior executives for FY14 (non IFRS)

Name	Gross	Super	STI - Cash Bonus [1]	Other [2]	Total Cash
	$	$	$	$	$
R G Nelson *Managing Director*	1,280,510	35,000	361,765	4,553	**1,681,828**
N M Gibbins *Chief Operating Officer/EVP Australian Oil and International*	488,575	25,000	69,333	4,165	**587,073**
S B Masters *Group Executive Corporate Development/EVP Growth*	466,124	25,000	66,302	-	**557,426**
G M Moseby *Group Executive Portfolio Management/ EVP Planning Management*	466,124	25,000	64,460	739	**556,323**
C L Oster *General Counsel/Joint Company Secretary/EVP Sustainability*	426,032	25,000	60,889	-	**511,921**
K A Presser *Chief Financial Officer/Company Secretary/EVP Corporate Services*	488,575	25,000	69,333	-	**582,908**
R A Rayner *Group Executive Commercial/EVP Australian Gas*	466,147	35,000	65,776	-	**566,923**
Total	**4,082,087**	**195,000**	**757,858**	**9,457**	**5,044,402**

[1] *These amounts are the cash component of the STI payment that senior executives have become entitled to for FY14 due to the performance conditions for the year being met. These amounts have been accrued in the accounts for the year but have not been paid to senior executives until after the full year results have been released.*

[2] *Other remuneration includes allowances paid under the terms and conditions of employment.*

9. Remuneration policy for non-executive directors

Non-executive directors

Name	Position	
G S Davis	Chairman	
F R V Bennett	Director	
J C Butler	Director	Appointed Lead Independent Director on 1 July 2014
B C Robinson	Director	
D A Schwebel	Director	
F G Moretti	Lead Independent Director	Retired on 1 July 2014

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 $900,000 approved by shareholders at the 2007 annual general meeting. It has been some time since the aggregate annual limit has been increased. In responding to advice from its independent remuneration adviser, and a review of industry benchmarking data, given the increased size of the Company and its activities and recommendations from the ASX Corporate Governance Council, approval will be sought at the next annual general meeting to increase the pool.

The remuneration for non-executive directors comprises directors' fees, board committee fees and superannuation contributions to meet Beach's statutory superannuation obligations. Mr Moretti also received an additional $10,000 as the Lead Independent Director. Other than these superannuation contributions, Beach does not have a scheme for retirement benefits for non-executive directors.

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

Details of the fees payable to non-executive directors for Board and committee membership are set out in Tables 11 and 12.

Table 11: Beach board and board committee fees for FY14 and FY13 inclusive of statutory superannuation

	Board [1]		Board Committee [2]					
	Chairman / Deputy Chairman	Member	Chairman Audit	Member Audit	Chairman Remuneration	Member Remuneration	Chairman Corporate Governance	Member Corporate Governance
	$	$	$	$	$	$	$	$
Fees for FY13 and FY14	250,000 / N/A	100,000	25,000	15,000	25,000	15,000	15,000	10,000

[1] *The Chairman and Managing Director receive no additional fees for committee work.*

[2] *The Lead Independent Director also receives an annual fee of $10,000.*

10. Remuneration for non-executive directors

Details of the nature and amount of remuneration for the financial year and the previous financial year of each non-executive director is detailed in Table 12.

Table 12: Non-executive directors' remuneration for FY13 and FY14

Name	Year	Directors Fees $	Super Contribution (1) $	Total $
G S Davis	**2014**	**250,000**	**–**	**250,000**
	2013	208,324	–	208,324
F R V Bennett	**2014**	**118,993**	**11,007**	**130,000**
(Appointed 23 November 2012)	2013	72,282	6,505	78,787
J C Butler	**2014**	**123,570**	**11,430**	**135,000**
	2013	118,494	10,664	129,158
B C Robinson	**2014**	**114,416**	**10,584**	**125,000**
	2013	107,197	9,648	116,845
D A Schwebel	**2014**	**105,263**	**9,737**	**115,000**
(Appointed 23 November 2012)	2013	63,942	5,755	69,697
F G Moretti	**2014**	**114,416**	**10,584**	**125,000**
(Director until 30 June 2014)	2013	108,591	9,773	118,364
R M Kennedy	**2014**	**–**	**–**	**–**
(Chairman until 23 November 2012)	2013	98,496	8,704	107,200
N F Alley	**2014**	**–**	**–**	**–**
(Director until 23 November 2012)	2013	37,365	3,363	40,728
Total	**2014**	**826,658**	**53,342**	**880,000**
	2013	814,691	54,412	869,103

(1) *No superannuation contributions were made on behalf of Mr Davis. Directors fees for Mr Davis are paid to a related entity*

11. Other Remuneration disclosures required

Table 13: Directors and key management personnel interests in shares, options and rights

The relevant interest of each key management personnel in the ordinary share capital of Beach or in a related body corporate at the date of this report are:

Securities held in Beach Energy Limited	Shares	Rights
G S Davis	119,276 (2)	–
R G Nelson	3,354,653 (1)	3,259,076 (1)
	1,000,000 (2)	
F R V Bennett	30,075 (2)	–
J C Butler	167,393 (1)	–
B C Robinson	15,295 (1)	–
D A Schwebel	74,860 (2)	–
F G Moretti	270,410 (2)	–
N M Gibbins	1,536,978 (1)	782,562 (1)
S B Masters	250,000 (1)	748,350 (1)
G M Moseby	474,133 (1)	728,202 (1)
C L Oster	241,626 (1)	493,022 (1)
K A Presser	691,732 (1)	782,562 (1)
R A Rayner	938 (1)	732,556 (1)
	97,135 (2)	
Total	**8,324,504**	**7,526,330**

(1) *Held directly* (2) *Held by entities in which a relevant interest is held*

Table 14: Details of Options and rights exercised during the reporting period and the number of shares issued

Movement in securities held in Beach Energy Limited	Shares	Employee Options	Rights
G S Davis			
1 July 2012	114,072	–	–
FY13 – issued under the terms of the DRP	2,005	–	–
FY14 – Issued under the terms of the DRP	3,199	–	–
Balance 30 June 2014	**119,276**	**–**	**–**
R G Nelson			
1 July 2012	4,925,291	5,221,000	3,466,851
FY13 – Issued under the terms of the DRP	86,532	–	–
FY13 – Issued STI rights	–	–	609,924
FY13 – Issued LTI rights	–	–	869,781
FY13 – Shares sold on market	(1,300,000)	–	–
FY14 – Issued under the terms of the DRP	116,820	–	–
FY14 – Issued STI Rights	–	–	145,190
FY14 – Issued LTI rights	–	–	972,292
FY14 – Shares issued upon vesting of rights	2,804,962	–	(2,804,962)
FY14 – Shares sold on market	(3,499,952)	–	–
FY14 – Options cancelled due to non-performance	–	(4,000,000)	–
FY14 – Exercise of options	1,221,000	(1,221,000)	–
Balance 30 June 2014	**4,354,653**	**–**	**3,259,076**
F R V Bennett			
FY14 – Shares acquired on market	30,075	–	–
Balance 30 June 2014	**30,075**	**–**	**–**
J C Butler			
1 July 2012	167,393	-	-
Balance 30 June 2014	**167,393**	**-**	**-**
B C Robinson			
1 July 2012	14,626	-	-
FY13 - Issued under the terms of the DRP	258	-	-
FY14 - Issued under the terms of the DRP	411	-	-
Balance 30 June 2014	**15,295**	**-**	**-**
D A Schwebel			
FY14 – Shares acquired on market	74,860	-	-
Balance 30 June 2014	**74,860**	**-**	**-**
F G Moretti			
1 July 2012	262,058	-	-
FY13 - Issued under the terms of the DRP	3,217	-	-
FY14 - Issued under the terms of the DRP	5,135	-	-
Balance 30 June 2014	**270,410**	**-**	**-**

Table 14: Details of Options and rights exercised during the reporting period and the number of shares issued (continued)

Movement in securities held in Beach Energy Limited	Shares	Employee Options	Rights
N M Gibbins			
1 July 2012	1,191,067	221,519	915,845
FY13 – Sold on market	(250,000)	-	-
FY13 – Issued STI Rights	-	-	169,781
FY13 – Issued LTI Rights	-	-	191,028
FY14 – Issued STI Rights	-	-	25,508
FY14 – Issued LTI Rights	-	-	189,792
FY14 – Shares issue upon vesting of rights	709,392	-	(709,392)
FY14 – Exercise of options	221,519	(221,519)	-
FY14 – Sold on market	(335,000)	-	-
Balance 30 June 2014	**1,536,978**	**-**	**782,562**
S B Masters			
1 July 2012	500,358	139,241	850,399
FY13 – Issued STI rights	-	-	182,676
FY13 – Issued LTI rights	-	-	162,359
FY13 – Sold on market	(250,358)	-	-
FY14 – Issued STI rights	-	-	24,392
FY14 – Issued LTI rights	-	-	181,495
FY14 – Shares issue upon vesting of rights	652,971	-	(652,971)
FY14 – Exercise of options	139,241	(139,241)	-
FY14 – Sold on market	(792,212)	-	-
Balance 30 June 2014	**250,000**	**-**	**748,350**
G M Moseby			
1 July 2012	799,923	221,519	850,399
FY13 – Issued STI rights	-	-	142,380
FY13 – Issued LTI rights	-	-	162,359
FY13 – Sold on market	(250,000)	-	-
FY14 – Issued STI rights	-	-	24,392
FY14 – Issued LTI rights	-	-	181,495
FY14 – Shares issue upon vesting of rights	632,823	-	(632,823)
FY14 – Sold on market	(930,132)	-	-
FY14 – Exercise of options	221,519	(221,519)	-
Balance 30 June 2014	**474,133**	**-**	**728,202**
C L Oster			
1 July 2012	433,819	121,520	384,163
FY13 – Issued STI rights	-	-	62,684
FY13 – Issued LTI rights	-	-	149,105
FY14 – Issued STI rights	-	-	22,402
FY14 – Issued LTI rights	-	-	166,679
FY14 – Shares issue upon vesting of rights	292,011	-	(292,011)
FY14 – Sold on market	(605,724)	-	-
FY14 – Exercise of options	121,520	(121,520)	-
Balance 30 June 2014	**241,626**	**-**	**493,022**

Table 14: Details of Options and rights exercised during the reporting period and the number of shares issued (continued)

Movement in securities held in Beach Energy Limited	Shares	Employee Options	Rights
K A Presser			
1 July 2012	1,100,000	1,520,238	1,258,049
FY13 – Sold on market	(300,000)	-	-
FY13 – Options cancelled due to non-performance	-	(336,060)	-
FY13 – Issued STI Rights	-	-	169,781
FY13 – Issued LTI Rights	-	-	191,028
FY14 – Issued STI Rights	-	-	25,508
FY14 – Issued LTI rights	-	-	189,792
FY14 – Shares issue upon vesting of rights	1,051,596	-	(1,051,596)
FY14 – Sold on market	(1,919,042)	-	-
FY14 – Options cancelled due to non-performance	-	(425,000)	-
FY14 – Exercise of options	759,178	(759,178)	-
Balance 30 June 2014	**691,732**	**-**	**782,562**
R A Rayner			
1 July 2012	35,000	-	294,659
FY13 – Issued STI rights	-	-	124,270
FY13 – Issued LTI rights	-	-	165,673
FY14 – Issued under the terms of the DRP	938	-	-
FY14 – Issued STI Rights		-	24,890
FY14 – Issued LTI rights	-	-	185,199
FY14 – Shares issue upon vesting of rights	62,135	-	(62,135)
Balance 30 June 2014	**98,073**	**-**	**732,556**
Total balance 30 June 2014	**8,324,504**	**-**	**7,526,330**
Total balance 30 June 2013	7,285,261	7,108,977	11,373,194

Specific details of the number of LTI and STI performance rights and options issued, vested and lapsed in FY 14 for senior executives are set out below in Table 15.

Table 15: Details of LTI and STI Options and Rights

Name	Date of grant [2]	Options/ rights on issue at 30 June 2013	Fair Value $	Exercise Price $	Vested [1]	Lapsed [2]	Options/ rights on issue at 30 June 2014	Date options/ rights first vest and become exercisable
R G Nelson	1 Dec 2006	2,000,000	0.870	1.406	2,000,000	2,000,000	-	1 July 2007
	1 Dec 2006	2,000,000	0.870	1.406	2,000,000	2,000,000	-	1 July 2008
	28 Feb 2008	1,221,000	0.637	1.422	1,221,000	-	-	28 Feb 2011
	1 Dec 2010	2,500,000	0.670	-	2,500,000	-	-	1 Dec 2013
	1 Dec 2011	966,851	1.411	-	-	-	966,851	1 Dec 2014
	14 Sept 2012	304,962	0.912	-	304,962	-	-	1 July 2013
	14 Sept 2012	304,962	0.912	-	-	-	304,962	1 July 2014
	21 Dec 2012	869,781	0.764	-	-	-	869,781	1 Dec 2015
	30 Aug 2013	-	1.112	-	-	-	72,595	1 July 2014
	30 Aug 2013	-	1.091	-	-	-	72,595	1 July 2015
	2 Dec 2013	-	0.672	-	-	-	972,292	1 Dec 2016
Total		**10,167,556**			**8,025,962**	**4,000,000**	**3,259,076**	

Table 15: Details of LTI and STI Options and Rights (continued)

Name	Date of grant [2]	Options/ rights on issue at 30 June 2013	Fair Value $	Exercise Price $	Vested [1]	Lapsed [2]	Options/ rights on issue at 30 June 2014	Date options/ rights first vest and become exercisable
N M Gibbins	28 Feb 2008	221,519	0.637	1.422	221,519	-	-	28 Feb 2011
	1 Dec 2010	613,878	0.670	-	613,878	-	-	1 Dec 2013
	1 Dec 2011	301,967	1.411	-	-	-	301,967	1 Dec 2014
	14 Sept 2012	95,514	0.912	-	95,514	-	-	1 July 2013
	14 Sept 2012	95,514	0.912	-	-	-	95,514	1 July 2014
	21 Dec 2012	169,781	0.780	-	-	-	169,781	1 Dec 2015
	30 Aug 2013	-	1.112	-	-	-	12,754	1 July 2014
	30 Aug 2013	-	1.091	-	-	-	12,754	1 July 2015
	2 Dec 2013	-	0.672	-	-	-	189,792	1 Dec 2016
Total		**1,498,173**			**930,911**	**-**	**782,562**	
S B Masters	28 Feb 2008	139,241	0.637	1.422	139,241	-	-	28 Feb 2011
	1 Dec 2010	561,633	0.670	-	561,633	-	-	1 Dec 2013
	1 Dec 2011	288,766	1.411	-	-	-	288,766	1 Dec 2014
	14 Sept 2012	91,338	0.912	-	91,338	-	-	1 July 2013
	14 Sept 2012	91,338	0.912	-	-	-	91,338	1 July 2014
	21 Dec 2012	162,359	0.780	-	-	-	162,359	1 Dec 2015
	30 Aug 2013	-	1.112	-	-	-	12,196	1 July 2014
	30 Aug 2013	-	1.091	-	-	-	12,196	1 July 2015
	2 Dec 2013	-	0.672	-	-	-	181,495	1 Dec 2016
Total		**1,334,675**			**792,212**	**-**	**748,350**	
G M Moseby	28 Feb 2008	221,519	0.637	1.422	221,519	-	-	28 Feb 2011
	1 Dec 2010	561,633	0.670	-	561,633	-	-	1 Dec 2013
	1 Dec 2011	288,766	1.411	-	-	-	288,766	1 Dec 2014
	14 Sept 2012	71,190	0.912	-	71,190	-	-	1 July 2013
	14 Sept 2012	71,190	0.912	-	-		71,190	1 July 2014
	21 Dec 2012	162,359	0.780	-	-	-	162,359	1 Dec 2015
	30 Aug 2013	-	1.112	-	-	-	12,196	1 July 2014
	30 Aug 2013	-	1.091	-	-	-	12,196	1 July 2015
	2 Dec 2013	-	0.672	-	-	-	181,495	1 Dec 2016
Total		**1,376,657**			**854,342**	**-**	**728,202**	
C L Oster	28 Feb 2008	121,520	0.637	1.422	121,520	-	-	28 Feb 2011
	1 Dec 2010	260,669	0.670	-	260,669	-	-	1 Dec 2013
	1 Dec 2011	123,494	1.411	-	-	-	123,494	1 Dec 2014
	14 Sept 2012	31,342	0.912	-	31,342	-	-	1 July 2013
	14 Sept 2012	31,342	0.912	-	-	-	31,342	1 July 2014
	21 Dec 2012	149,105	0.780	-	-	-	149,105	1 Dec 2015
	30 Aug 2013	-	1.112	-	-	-	11,201	1 July 2014
	30 Aug 2013	-	1.091	-	-	-	11,201	1 July 2015
	2 Dec 2013	-	0.672	-	-	-	166,679	1 Dec 2016
Total		**717,472**			**413,531**	**-**	**493,022**	
K A Presser	1 Dec 2006	425,000	0.870	1.406	425,000	-	-	1 July 2007
	1 Dec 2006	425,000	0.870	1.406	425,000	425,000	-	1 July 2008
	28 Feb 2008	334,178	0.637	1.422	334,178	-	-	28 Feb 2011
	1 Dec 2010	956,082	0.670	-	956,082	-	-	1 Dec 2013
	1 Dec 2011	301,967	1.411	-	-	-	301,967	1 Dec 2014
	14 Sept 2012	95,514	0.912	-	95,514	-	-	1 July 2013
	14 Sept 2012	95,514	0.912	-	-	-	95,514	1 July 2014
	21 Dec 2012	169,781	0.780	-	-	-	169,781	1 Dec 2015
	30 Aug 2013	-	1.112	-	-	-	12,754	1 July 2014
	30 Aug 2013	-	1.091	-	-	-	12,754	1 July 2015
	2 Dec 2013	-	0.672	-	-	-	189,792	1 Dec 2016
Total		**2,803,036**			**2,235,774**	**425,000**	**782,562**	

Table 15: Details of LTI and STI Options and Rights (continued)

Name	Date of grant [(2)]	Options/ rights on issue at 30 June 2013	Fair Value $	Exercise Price $	Vested [(1)]	Lapsed [(2)]	Options/ rights on issue at 30 June 2014	Date options/ rights first vest and become exercisable
R A Rayner	1 Dec 2011	294,659	1.411	-	-	-	294,659	1 Dec 2014
	14 Sept 2012	62,135	0.912	-	62,135	-	-	1 July 2013
	14 Sept 2012	62,135	0.912	-	-	-	62,135	1 July 2014
	21 Dec 2012	165,673	0.780	-	-	-	165,673	1 Dec 2015
	30 Aug 2013	-	1.112	-	-	-	12,445	1 July 2014
	30 Aug 2013	-	1.091	-	-	-	12,445	1 July 2015
	2 Dec 2013	-	0.672	-	-	-	185,199	1 Dec 2016
Total		**584,602**			**62,135**	**-**	**732,556**	

[(1)] All options shown have vested in previous reporting periods

[(2)] The lapsed options were those granted on 1 December 2006 and which were tested in a previous reporting period and vested but were not exercised by senior executives. The value of the options that lapsed during FY14 was $3,879,840 (FY13: $959,310). The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the options vest. The fair value of the options and rights as at the date of their grant has been determined in accordance with AASB 2. The calculations are performed using various approved option valuation methodologies. The total value of the options and rights, if the performance conditions are not met, is nil.

No rights and options that vested during FY14 were unexercisable at the end of the reporting period.

Related Party disclosures

During the financial year Beach paid $30,000 (plus GST) to Energy Insights (a company owned by Mr Rayner) for office rental in Brisbane.

During the financial year ended 30 June 2014, Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a partner. Beach paid $239,045 during the financial year (FY13: $320,490) to DMAW lawyers for legal and advisory services, of which $15,059 related to FY13. In addition to fees paid during the year a further $9,680 (FY13: $32,455) is payable to DMAW Lawyers as at 30 June 2014 for invoices received but not yet paid and work in progress not yet invoiced. Directors fees payable to Mr Davis for the year ended 30 June 2014 of $250,000 (FY13: $208,324) were also paid directly to DMAW Lawyers.

DIRECTORS' DECLARATION

1. In the directors' opinion:

   (a) the financial statements and notes set out on pages 82 to 129 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 2014 and of its performance for the financial year ended on that date; and

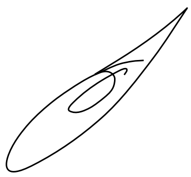
   (b) there are reasonable grounds to believe that Beach will be able to pay its debts as and when they become due and payable.

2. The attached financial statements are in compliance with International Financial Reporting Standards, as noted in note 1 to 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 31 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 31.

4. The directors have been given the declarations by the Managing Director 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 s.295(5) of the Corporations Act 2001 on behalf of the directors.



R G Nelson

Managing Director

Adelaide

25 August 2014

Responsible

Ethical and **responsible** conduct

FINANCIAL STATEMENTS

Consolidated Statement of Profit and Loss

For the financial year ended 30 June 2014

	Note	Consolidated 2014 $000	Consolidated 2013 $000
Sales revenue	3(a)	**1,052,129**	698,211
Cost of sales	4(a)	**(639,937)**	(466,403)
Gross profit		**412,192**	231,808
Other revenue	3(b)	**5,595**	2,249
Other income	3(c)	**19,537**	29,370
Other expenses	4(b)	**(222,114)**	(41,582)
Operating profit before financing costs		**215,210**	221,845
Interest income	4(c)	**13,758**	15,923
Finance expenses	4(c)	**(26,557)**	(23,767)
Profit before income tax expense		**202,411**	214,001
Income tax expense	5	**(100,634)**	(60,351)
Net profit after tax		**101,777**	153,650
Basic earnings per share (cents per share)	33	**7.95¢**	12.17¢
Diluted earnings per share (cents per share)	33	**7.79¢**	11.73¢

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2014

	Note	Consolidated	
		2014 **$000**	2013 $000
Net profit after tax		**101,777**	153,650
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets		**17,666**	(3,976)
Tax effect relating to components of other comprehensive income	5	**(4,725)**	626
Net (loss)/gain on translation of foreign operations		**(5,798)**	29,937
Other comprehensive income, net of tax		**7,143**	26,587
Total comprehensive income after tax		**108,920**	180,237

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	Consolidated	
		2014 **$000**	2013 $000
Current assets			
Cash and cash equivalents	30(a)	**411,307**	347,601
Trade and other receivables	9	**126,869**	169,031
Inventories	10	**91,837**	76,303
Derivative financial instruments	11	**11**	31
Other	12	**7,894**	6,417
Total current assets		**637,918**	599,383
Non-current assets			
Available-for-sale financial assets	13	**70,331**	42,056
Property, plant and equipment	14	**440,724**	382,923
Petroleum assets	15	**872,097**	714,436
Exploration and evaluation assets	16	**541,741**	579,376
Deferred tax assets	17	**63,917**	65,951
Derivative financial instruments	11	**21**	21
Other financial assets	18	**27,903**	20,642
Total non-current assets		**2,016,734**	1,805,405
Total assets		**2,654,652**	2,404,788
Current liabilities			
Trade and other payables	19	**160,052**	127,089
Provisions	20	**19,287**	8,983
Current tax liabilities	21	**65,485**	29,425
Borrowings	22	**127,085**	-
Derivative financial instruments	11	**29,195**	-
Total current liabilities		**401,104**	165,497
Non-current liabilities			
Borrowings	22	**-**	119,953
Derivative financial instruments	11	**-**	14,866
Deferred tax liabilities	23	**251,005**	207,517
Provisions	20	**131,770**	114,449
Total non-current liabilities		**382,775**	456,785
Total liabilities		**783,879**	622,282
Net assets		**1,870,773**	1,782,506
Equity			
Issued capital	24	**1,239,942**	1,214,101
Reserves	25	**58,329**	46,613
Retained earnings		**572,502**	521,792
Total equity		**1,870,773**	1,782,506

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2014

Consolidated entity	Issued Capital (Note 24) $000	Retained Earnings $000	Reserves (Note 25) $000	Total $000
Balance as at 30 June 2012	1,200,211	396,483	15,153	1,611,847
Profit for the year	-	153,650	-	153,650
Other comprehensive income	-	-	26,587	26,587
Total comprehensive income for the year	-	153,650	26,587	180,237
Transactions with owners in their capacity as owners:				
Shares issued during the year	13,978	-	-	13,978
Transaction costs - net of tax	(88)	-	-	(88)
Increase in share based payments reserve	-	-	4,873	4,873
Dividends paid (Note 6)	-	(28,341)	-	(28,341)
Transactions with owners	13,890	(28,341)	4,873	(9,578)
Balance as at 30 June 2013	**1,214,101**	**521,792**	**46,613**	**1,782,506**
Profit for the year	**-**	**101,777**	**-**	**101,777**
Other comprehensive income	**-**	**-**	**7,143**	**7,143**
Total comprehensive income for the year	**-**	**101,777**	**7,143**	**108,920**
Transactions with owners in their capacity as owners:				
Shares issued during the year	**25,841**	**-**	**-**	**25,841**
Increase in share based payments reserve	**-**	**-**	**4,573**	**4,573**
Dividends paid (Note 6)	**-**	**(51,067)**	**-**	**(51,067)**
Transactions with owners	**25,841**	**(51,067)**	**4,573**	**(20,653)**
Balance as at 30 June 2014	**1,239,942**	**572,502**	**58,329**	**1,870,773**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2014

	Note	Consolidated 2014 $000	2013 $000
Cash flows from operating activities			
Receipts from oil and gas operations		**1,080,376**	647,392
Operating and personnel costs paid		**(494,554)**	(393,207)
Interest received		**15,085**	14,761
Other receipts		**6,140**	3,627
Financing costs		**(8,680)**	(8,257)
Derivative payments		**(642)**	(3,041)
Income tax refund		**8,663**	-
Income tax paid		**(23,777)**	(2)
Net cash provided by operating activities	30(b)	**582,611**	261,273
Cash flows from investing activities			
Payments for property, plant and equipment		**(98,343)**	(75,918)
Payments for petroleum assets		**(213,619)**	(134,116)
Payments for exploration		**(188,458)**	(213,308)
Payments for restoration		**(3,748)**	(598)
Acquisition of exploration interests		**(1,451)**	(20,263)
Payments for investments		**(10,610)**	(32,141)
Proceeds from sale of investments		**-**	65
Proceeds from sale of joint venture interests		**20,890**	95,015
Proceeds from sale of non-current assets		**3,720**	101
Reimbursement of exploration expenditure		**-**	101,388
Net cash used in investing activities		**(491,619)**	(279,775)
Cash flows from financing activities			
Proceeds from the exercise of options		**3,810**	-
Costs associated with issue of shares		**-**	(125)
Repayment of Employee Incentive Loans		**1,739**	1,556
Dividends paid		**(30,776)**	(15,919)
Net cash used in financing activities		**(25,227)**	(14,488)
Net increase/(decrease) in cash held		**65,765**	(32,990)
Cash at beginning of financial year		**347,601**	378,505
Effects of exchange rate changes on the balances of cash held in foreign currencies		**(2,059)**	2,086
Cash at end of financial year	30(a)	**411,307**	347,601

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 2014

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Beach Energy Limited (Beach or the Company) for the financial year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 25 August 2014.

Beach Energy Limited (the parent) is a Company limited by shares incorporated in Australia whose shares are publicly listed on the Australian Securities Exchange (ASX) and is the ultimate parent entity in the group. The consolidated financial report of the Company for the financial year ended 30 June 2014 comprises the Company and its controlled entities (the group or consolidated entity). Beach is a for-profit entity for the purpose of preparing the financial statements.

Statement of Compliance

This general purpose financial statement has been prepared in accordance with the relevant Australian Accounting Standards, Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Beach Energy Limited also comply with IFRSs.

Basis of Preparation

The financial statement is presented in Australian dollars. The following is a summary of the significant policies adopted in the preparation of the financial statement. These policies have been consistently applied to all the financial years presented, unless otherwise stated. The financial statement includes the consolidated entity consisting of Beach Energy Limited and its subsidiaries.

Historical cost convention

These financial statements have been prepared on an accruals basis and are 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 the statement of profit or loss, reserves or certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

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 as shown below.

- AASB 10 Consolidated Financial Statements which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 10 provides a revised approach to determining which investees should be consolidated. The standard changes the requirements for determining whether an entity is consolidated by revising the definition of control and adding further guiding principles. The application of AASB 10 does not have any impact on the amounts recognised in the consolidated entity's Financial Statements.

- AASB 11 Joint Arrangements which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead JCEs that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method. The application of AASB 11 does not have any impact on the consolidated entity's Financial Statements.

- AASB 12 Disclosure of Interests in Other Entities which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 12 includes all of the disclosures that were previously in AASB 127 Consolidated and Separate Financial Statements and AASB 131 Interest in Joint Ventures. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The revised standard requires a number of disclosures which are consistent with previous disclosures made by the consolidated entity and has no impact on the consolidated entity's financial position or performance.

- AASB 13 Fair value measurement, which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 13 establishes a single source of guidance under accounting standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under AASBs when fair value is required or permitted. The required additional disclosures relating to AASB 13 are provided in Note 32.

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised accounting standards (Continued)

- AASB 119 Employee Benefits which has been issued and is effective for accounting periods beginning on or after 1 January 2013. AASB 119 makes a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The revised standard has no material impact on the consolidated entity's financial position or performance.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] which has been issued and is effective for accounting periods beginning on or after 1 July 2013. This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

The adoption of 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 although it has resulted in minor changes to the group's presentation of its financial statements.

Accounting policies have been consistently applied with those of the previous financial year, unless otherwise stated.

(a) Principles of consolidation: The Group financial statements consolidate those of the Parent and all of its subsidiaries as of 30 June 2014. The Parent controls a subsidiary if 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. 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. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.
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.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(b) Interests in joint operations: Exploration and production activities are often conducted through joint arrangements governed by joint operating agreements, production sharing contracts or similar contractual relationships. A summary of the Group's interests in its material joint operations is included in Note 27. 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 revenue policy in Note 1(l).

(c) Exploration and evaluation expenditure: Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of proven and probable hydrocarbon reserves.

A bi-annual review in accordance with Note 1(f) is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

All exploration and evaluation expenditure will be capitalised until a "trigger event" occurs that will invoke impairment testing. A trigger event could arise from a significant change in the forward looking assessment of geo-technical and/or commercial factors. This could involve a series of dry holes, the relinquishment of an area, a significant farm-out of an area or any similar type event. Once impairment testing events arise, Beach will complete a full assessment of the recoverable value of the area of interest as compared to the carrying value of the area of interest. This may result in a write down of its carrying value.

Accumulated costs in relation to an abandoned area are written off in full in the statement of profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to petroleum assets and amortised over the life of the area according to the rate of depletion of the proven and probable hydrocarbon reserves.

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Petroleum assets and plant and equipment: Petroleum assets and plant and equipment are measured on the cost basis less depreciation, amortisation and impairment losses.

The carrying amount of petroleum assets and plant and equipment is reviewed bi-annually in accordance with Note 1(f) to ensure that they are not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal or by fair value less costs to sell. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated entity 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 consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation / Amortisation

The depreciable amount of all fixed assets including buildings but excluding freehold land, field buildings, production facilities, field equipment and petroleum assets, are depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Amortisation of petroleum and gas licences, production facilities, field equipment and buildings are determined based on the proven and probable hydrocarbon reserves.

The depreciation and amortisation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation / Amortisation Rate
Adelaide office building	2%
Leasehold improvements	4 – 5%
Office furniture and equipment	5 – 33%
Field buildings	Based on the proven and probable hydrocarbon reserves
Production facilities and field equipment	Based on the proven and probable hydrocarbon reserves
Other petroleum assets	Based on the proven and probable hydrocarbon reserves

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss.

(e) Financial instruments:

Recognition: Financial instruments are initially measured at fair value being the cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

- **Financial assets at fair value through profit or loss:** A financial asset is classified in this category if acquired principally for the purpose of selling in the near term. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of 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 consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments of the consolidated entity are stated at amortised cost using effective interest rate method.
- **Available-for-sale financial assets:** Available for sale financial assets include any financial assets not capable of being included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to the statement of profit or loss.

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

- **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 Statement of profit or loss.

(f) Impairment of non-financial assets: The carrying value of the group's assets, other than inventories and deferred tax assets are reviewed at the end of the reporting period to determine whether there are any indications of impairment. Petroleum assets and property, plant and equipment are assessed for impairment on a cash-generating unit (CGU) basis. A cash-generating unit is the smallest grouping of assets that generates independent cash inflows, and generally represents an area of interest. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets on a pro-rata basis. Exploration and evaluation assets are assessed for impairment in accordance with Note 1(c). An impairment loss is recognised in the Statement of profit or loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(g) Trade and other payables: These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Parent Entity financial information: The financial information for the parent entity, Beach Energy Limited, disclosed in Note 38, has been prepared on the same basis, 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.

(i) 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.

(j) Employee benefits: Provision is made for Beach's liability for employee benefits 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 twelve months of the reporting date, they are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-vesting sick 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. Estimated future payments are discounted using appropriate discount 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. Beach contributes compulsory superannuation amounts to each employee's nominated plan based on a percentage of each member's salary. It is at the discretion of employees to seek their individual financial advice with regards to each employee's own personal superannuation fund.

Termination benefits: Termination benefits are 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.

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee benefits (Continued)

Equity settled compensation:

(i) Employee Incentive Plan: The consolidated entity operates an Employee Incentive Plan where employees may be issued shares and/or options. 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. Options are valued using an appropriate valuation technique which takes into account the vesting conditions.

(ii) Long Term Incentive Options/Rights: The consolidated entity operates an Executive Incentive Plan for key management personnel. The fair value of options/rights issued are recognised as an employee expense with a corresponding increase in equity. The fair value of the options/rights are measured at grant date and recognised over the vesting period during which the Key Management Personnel become entitled to the options/rights. There are a number of different methodologies that are appropriate to use in valuing options/rights. The fair value of the options/rights granted are measured using the most appropriate in the circumstances, taking into account the terms and conditions upon which the options/rights were issued.

(k) Trade and other receivables: 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.

(l) Revenue: The consolidated entity's revenue is derived primarily from the sale of petroleum products. Sales revenue is recognised on the basis of the consolidated entity's interest in a producing field, when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally at the time of ship or truck loading, or on the product entering the pipeline. All revenue is stated net of the amount of Goods and Services Tax (GST).

(m) Tax: Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The income tax expense or revenue 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.

Deferred tax assets and liabilities are recognised for temporary differences 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.

Beach and its wholly owned Australian subsidiaries are consolidated for Australian income tax purposes. Beach is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group 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.

Petroleum Resource Rent Tax (PRRT) is recognised as an income tax under *AASB112 - Income Taxes*.

From 1 July 2012, the PRRT regime was extended to all Australian onshore oil and gas projects. Accounting for PRRT involves judging the impact of the combination of production licences into PRRT projects, the taxing point of projects, the measurement of the starting base of projects, the impact of farm-ins, the deductibility of expenditure and the impact of legislative amendments.

A deferred tax asset is recognised in relation to the carry forward deductible PRRT expenditure of projects only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The group has determined the carry forward deductible PRRT expenditure of projects including augmentation on expenditure categories in the calculation of future taxable profit when assessing the extent to which a deferred tax asset should be recognised in the financial statements. Deferred tax assets in respect of PRRT are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

During the 2013 financial year, Beach applied for and was granted a PRRT combination certificate by the Minister for Resources and Energy (now the Minister for Industry) in respect of its Cooper Basin projects. Therefore, the Cooper Basin production licences together are treated as one project for PRRT purposes.

The government 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 2014, the group does not expect to pay PRRT in the short to medium term and as a result, no additional deferred tax asset has been recognised in the financial statements for the year ended 30 June 2014.

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Rehabilitation and restoration costs: A provision for rehabilitation and restoration is provided by the consolidated entity to meet all future obligations for the restoration and rehabilitation of petroleum assets when petroleum reserves are exhausted and the oil/gas fields are abandoned. Restoration liabilities are discounted to present value and capitalised as a component part of petroleum assets. The capitalised costs are amortised over the life of the petroleum assets and the provision revised at the end of each reporting period through the statement of profit or loss as the discounting of the liability unwinds.

(o) Transaction costs on the issue of equity instruments: Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs related. 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.

(p) 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 net basis.

(q) 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.

(r) Cash: For the purpose of the statement of cash flows, cash includes cash on hand, cash at bank and term deposits with banks.

(s) Rounding of amounts: Beach is a company of a kind referred to in Class Order 98 / 100 issued by the Australian Securities Commission and Investment Commission, relating to the rounding of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars or in certain cases the nearest dollar.

(t) Borrowings: Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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 Statement of profit or loss over the period of the borrowings on an effective interest basis. Fees paid on the establishment of loan facilities which are not an incremental cost relating to the actual drawdown of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity when the conversion option meets the equity definition at inception. Where the conversion option does not meet the definition of equity, as for convertible notes which include a cash settlement option or conversion price resets, the conversion option is fair valued at inception and recorded as a financial liability. The financial liability for the conversion option is accounted for as a derivative liability and subsequently remeasured at the end of the reporting period to fair value with gains and losses recorded in the Statement of profit or loss. 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.

(u) Comparative figures: When required by Accounting Standards or arising through changes in disclosure, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(v) Derivative financial instruments: The consolidated entity uses derivative financial instruments to hedge its exposure to changes in foreign exchange rates, commodity prices and interest rates arising in the normal course of business. The principal derivatives that may be used are forward foreign exchange contracts, foreign currency swaps, interest rate swaps and commodity crude oil price swap and option contracts. Their use is subject to policies and procedures as approved by the Board of Directors. The consolidated entity does not trade in derivative financial instruments for speculative purposes. Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are recognised at fair value. The derivatives are valued on a market to market valuation and the gain or loss on re-measurement to fair value is recognised through the Statement of profit or loss.

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Business combinations: The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Transaction costs incurred in relation to the business combination are expensed as incurred to the Statement of profit or loss. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as an increase in the development / exploration assets acquired.

(x) Foreign currency: Both the functional and presentation currency of Beach is Australian dollars. Some subsidiaries have different functional currencies which are translated to presentation currency (see below).

Transactions and balances

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 statement of profit or loss.

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.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

(y) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group: The accounting standards that have not been early adopted for the year ended 30 June 2014 , but will be applicable to the group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to 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.

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group (continued):

Year ended 30 June 2015:

AASB 1031: Materiality

AASB 2013-4, Novation of Derivatives and Continuation of Hedge Accounting

AASB 2013-5, Investment Entities

AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments

AASB 2014-1, Amendments to Australian Accounting Standards

These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

Year ended 30 June 2017: Amendments to AASB 116 and AASB 138, Clarification of acceptable methods of depreciation and amortisation

This standard will clarify that revenue based methods to calculate depreciation and amortisation are not considered appropriate. This will not result in a change to the manner in which the Group's financial result is determined as no such method is currently in use.

Year ended 30 June 2018: IFRS 15: Revenue from Contracts with Customers

This standard will change the timing and in some cases the quantum of revenue received from customers. IFRS 15 requires an entity to recognise revenue by identifying for each customer contract, the performance obligations in the contract and the transaction price. The transaction price is then allocated against the performance obligations in the contract with revenue recognised when (or as) the entity satisfies each performance obligation. Management are currently assessing the impact of the new standard but it is not expected to have a material impact on the financial performance or financial position of the consolidated entity.

Year ended 30 June 2019: AASB 9: Financial Instruments

This standard introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted by presenting changes in credit risk in other comprehensive income (OCI) and the remaining change in the statement of profit or loss.

This standard is not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports although the Group will quantify the effect of the application of AASB 9 when the final standard, including all phases, is issued.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(z) Earnings per share: The group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share 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 earnings per share 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 and share options which have been issued to employees.

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Share Capital: Ordinary shares are classified as equity. Transaction costs of an equity transaction are accounted for as an equity transaction, net of any related income tax benefit.

(ab) Transactions with non-controlling interests: The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve within equity attributable to owners of Beach Energy Limited. When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured, where required, to its fair value with the change in carrying amount recognised in the available for sale reserve. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset.

(ac) Carbon Tax: The group estimates its emissions liability in accordance with the Clean Energy Act 2011 (Cth) and associated pronouncements, based on covered emissions arising from facilities for which the group has operational control or as advised by the Joint Venture operator for those interests where the group does not have operational control. The determination of covered emissions includes both measured and estimated data based on operational activities and judgement in regard to the expected liable facilities for the relevant compliance period under the legislation. Carbon permits are purchased when the provision for carbon is required to be settled. The carbon provision is derecognised from the statement of financial position when purchased permits are delivered to the Australian government in settlement of the liability. Carbon costs are recognised as an operating expense in the statement of profit or loss as emissions are incurred. Carbon costs that are recovered from customers are recognised as sales revenue in the statement of profit or loss in accordance with Note 1(l).

Note 2

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated 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. The carrying amounts of certain assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. The reasonableness of estimates and underlying assumptions are reviewed on an ongoing basis. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the annual reporting period are:

(a) Estimates of reserve quantities

The estimated quantities of proven and probable hydrocarbon reserves reported by the consolidated entity are integral to the calculation of amortisation (depletion), depreciation expense and to assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves. Management prepare reserve estimates which conform to guidelines prepared by the Society of Petroleum Engineers. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations.

(b) Exploration and evaluation

The consolidated entity's policy for exploration and evaluation is discussed at Note 1(c). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, activities in the area have reached a stage that permits reasonable assessment of the existence of proven and probable hydrocarbon reserves and management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then a recommendation will be made to the board that the relevant capitalised amount should be written off through the statement of profit or loss.

Note 2

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Provision for restoration

The consolidated entity estimates the future removal and restoration costs of petroleum production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances the removal of these assets will occur many years in the future. The estimate of future removal costs therefore requires management to make adjustments regarding the removal date, planned environmental legislation, the extent of restoration activities and future removal technologies. The unwinding of discounting on the provision is recognised as a finance cost.

(d) Impairment of non-financial assets

The consolidated entity assesses whether non-financial assets are impaired on a bi-annual basis. This requires an estimation of the recoverable amount of the area of interest to which each asset belongs. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is assessed on the basis of the expected net cash flows that will be received from the assets continued employment and subsequent disposal. For oil and gas assets the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices where applicable or based on market consensus prices where available. Where appropriate the cash flow inputs have been adjusted to reflect identifiable uncertainty and risk. A recoverable amount is then determined by discounting the expected net cash flows to their present values using a pre-tax real discount rate of between 8% and 10% to take into account the risks that have not already been adjusted for in the cash flows. Where an asset does not generate cash flows that are largely independent of other assets or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(e) Petroleum Resource Rent Tax (PRRT)

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.

During the 2013 financial year, Beach applied for and was granted a PRRT combination certificate by the Minister for Resources and Energy (now the Minister for Industry) in respect of its Cooper Basin projects. Therefore, the Cooper Basin production licences together are treated as one project for PRRT purposes.

The government 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 2014, the group does not expect to pay PRRT in the short to medium term and as a result, no additional deferred tax asset has been recognised in the financial statements for the year ended 30 June 2014.

(f) Carbon tax

The Clean Energy Act introduced a carbon tax into the Australian economy from 1 July 2012 which has an impact on the group's cash flows.

On 1 July 2012 the Australian Government's Clean Energy legislation took effect. This legislation required the operator of joint ventures in which Beach has an interest to surrender, to the Government, one carbon permit for each tonne of carbon dioxide equivalent (CO2e) emitted in respect of affected joint venture facilities. The cost of carbon to Beach in respect of its share of affected joint venture facilities has been estimated at $17 million for the year ended 30 June 2014. Beach has sought to recoup carbon costs where possible via cost pass through in domestic sales agreements.

On 17 July 2014, the *Clean Energy Legislation (Carbon Tax Repeal) Bill 2014* and 6 related Bills received Royal Assent, abolishing the carbon tax from 1 July 2014. Accordingly, the impact of the carbon tax on the group's future cash flows is no longer included in the estimation of the recoverable amount of the group's cash-generating units when assessing impairment of oil and gas assets and other land, buildings, plant and equipment at 30 June 2014.

Note 3

REVENUE AND OTHER INCOME

		Consolidated 2014 $000	2013 $000
(a)	**Sales revenue**		
	Crude oil	**857,343**	508,187
	Gas and gas liquids	**194,786**	190,024
		1,052,129	698,211
(b)	**Other revenue**		
	Tariff income	**4,936**	1,629
	Other revenue	**659**	620
	Total other revenue	**5,595**	2,249
	Total revenue	**1,057,724**	700,460
(c)	**Other income**		
	Gain on sale of non-current assets	**3,299**	90
	Gain on sale of joint operation interests	**15,693**	26,589
	Foreign exchange gains	**-**	1,313
	Insurance proceeds	**545**	1,378
	Total other income	**19,537**	29,370

Note 4

EXPENSES

		Consolidated 2014 $000	2013 $000
(a)	**Cost of sales**		
	Operating costs	**166,849**	172,277
	Carbon cost	**17,445**	12,976
	Royalties	**79,289**	57,316
	Total operating costs	**263,583**	242,569
	Depreciation of property, plant and equipment	**39,832**	30,699
	Amortisation of petroleum assets	**143,710**	95,008
	Total amortisation and depreciation for operations	**183,542**	125,707
	Third party oil and gas purchases	**204,359**	109,406
	Change in inventory	**(11,547)**	(11,279)
	Total cost of sales	**639,937**	466,403
(b)	**Other expenses**		
	Impairment		
	Impairment of plant and equipment	**-**	25
	Impairment of exploration	**162,244**	3,450
	Total impairment loss	**162,244**	3,475
	Hedging		
	Loss on commodity hedging	**661**	1,641
	Total hedging loss	**661**	1,641
	Other		
	Employee benefits expense (refer Note 7)	**26,816**	21,360
	Foreign exchange losses	**3,635**	-
	Bad debts	**17**	13
	Loss on sale of investments	-	25
	Depreciation of property, plant and equipment	**1,333**	806
	Unrealised movement in the value of convertible note conversion rights	**14,328**	3,091
	Corporate development costs	**2,887**	2,721
	Corporate expenses	**10,193**	8,450
	Other expenses	**59,209**	36,466
	Total other expenses	**222,114**	41,582
(c)	**Net finance expenses/(income)**		
	Finance costs	**4,720**	3,041
	Interest expense	**5,931**	6,637
	Discount unwinding on convertible note	**6,159**	5,604
	Discount unwinding on provision for restoration (refer Note 20)	**9,747**	8,485
	Total finance expenses	**26,557**	23,767
	Interest income	**(13,758)**	(15,923)
	Net finance expenses	**12,799**	7,844

Note 5

INCOME TAX EXPENSE

	Consolidated 2014 $000	Consolidated 2013 $000
Recognised in the statement of profit or loss		
Current tax expense		
Current financial year tax expense	**77,596**	36,410
Expense on derecognition of tax loss	**-**	622
Over provision in the prior year	**(18,185)**	(5,276)
Other	**426**	(28)
	59,837	31,728
Deferred tax expense		
Origination and reversal of temporary differences	**31,166**	30,321
Under/(Over) provision in the prior year	**9,631**	(1,698)
	40,797	28,623
Total income tax expense	**100,634**	60,351
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	**202,411**	214,001
Prima facie income tax expense using an income tax rate at 30% (2013:30%)	**60,723**	64,200
Adjustment to income tax expense due to		
Non-deductible expenses	**1,460**	1,508
Tax losses of controlled entity not recognised	**46,254**	622
Adjustment to income tax expense due to		
Losses utilised	**-**	96
Foreign tax impact	**989**	-
Other	**(238)**	899
Over provision in the prior year	**(8,554)**	(6,974)
Income tax expense on pre-tax profit	**100,634**	60,351

Movement in temporary differences during the financial year

Consolidated entity	Balance 1 July 2012 $000	Recognised through acquisition $000	Recognised in income $000	Recognised in equity $000	Balance 30 June 2013 $000
Property, plant and equipment	(176,269)	-	(51,348)	-	(227,617)
Investments	(7,919)	-	1,236	(4,725)	(11,408)
Provisions	34,662	-	8,009	-	42,671
Employee benefits	2,106	-	435	-	2,541
Other Items	2,701	-	2,130	-	4,831
Tax value of losses carried forward	1,938	-	(1,280)	-	658
Inventories	1,215	-	21	-	1,236
Total	**(141,566)**	**-**	**(40,797)**	**(4,725)**	**(187,088)**

Note 5

INCOME TAX EXPENSE (Continued)

Movement in temporary differences during the previous financial year

Consolidated entity	Balance 1 July 2012 $000	Recognised through acquisition $000	Recognised in income $000	Recognised in equity $000	Balance 30 June 2013 $000
Property, plant and equipment	(158,638)	-	(17,631)	-	(176,269)
Investments	(1,075)	-	(7,470)	626	(7,919)
Provisions	31,491	-	3,171	-	34,662
Employee benefits	1,781	-	325	-	2,106
Other Items	(7,278)	-	9,942	37	2,701
Tax value of losses carried forward	21,784	-	(19,846)	-	1,938
Inventories	200	-	1,015	-	1,215
Total	(111,735)	-	(30,494)	663	(141,566)

Tax effects relating to each component of comprehensive income

	2014			2013		
Consolidated entity	**Before tax amount $000**	**Tax benefit $000**	**Net of tax amount $000**	Before tax amount $000	Tax (expense) $000	Net of tax amount $000
Financial assets revaluation	**17,666**	**(4,725)**	**12,941**	(3,976)	626	(3,350)
Exchange difference on translating foreign controlled entities	**(5,798)**	**-**	**(5,798)**	29,937	-	29,937

Note 6

DIVIDENDS

	Consolidated **2014 $000**	2013 $000
Final dividend of 1.5 cents declared on 28 August 2012 and paid on 28 September 2012	-	18,848
Interim dividend of 0.75 cents declared on 26 February 2013 and paid on 5 April 2013	-	9,493
Final dividend of 2.0 cents declared on 27 August 2013 and paid on 27 September 2013	**25,395**	-
Interim dividend of 1.0 cent declared on 24 February 2014 and paid on 28 March 2014	**12,836**	-
Special dividend of 1.0 cent declared on 24 February 2014 and paid on 28 March 2014	**12,836**	-
Total dividends paid or payable	**51,067**	28,341
Franking credits available in subsequent financial years based on a tax rate of 30% (2013 - 30%)	**15,286**	27,557

Note 7

EMPLOYEE BENEFITS EXPENSE

	Consolidated	
	2014 $000	2013 $000
Compensation of employees is as follows:		
Short term benefits	**19,498**	14,326
Post employment benefits	**2,745**	2,161
Share based payments	**4,573**	4,873
	26,816	21,360

Note 8

AUDITORS REMUNERATION

Audit services		
Amounts received or due and receivable by the auditor of Beach for:		
- auditing or reviewing the financial statements	**282**	280
- joint operation audits	**8**	10
	290	290
Amounts received or due and receivable by other firms for:		
- auditing or reviewing the financial statements	**15**	27
- joint operation audits	**16**	-
Total audit services	**321**	317
Non-audit services		
Amounts received or due and receivable by the auditor of Beach for:		
- due diligence and other services	**15**	14
Total non-audit services	**15**	14

Note 9

TRADE AND OTHER RECEIVABLES

Trade receivables	**111,755**	141,771
Interest receivable	**3,113**	4,439
Other receivables	**12,126**	22,946
Provision for Impairment	**(125)**	(125)
Total trade and other receivables	**126,869**	169,031
Ageing of trade and other receivables at the reporting date:		
Trade and other receivables not yet due	**124,397**	165,421
Past due not impaired:		
1-60 days	**769**	2,090
61-90 days	**648**	500
91-180 days	**796**	1,066
Greater than 181 days	**384**	79
Considered impaired	**(125)**	(125)
Total trade and other receivables	**126,869**	169,031

Due to the short term nature of the group's receivables, their carrying amount is assumed to approximate their fair value. Refer to Note 32 for more information on the risk management policy of the consolidated entity and the credit quality of the consolidated entity's trade receivables.

Note 10

INVENTORIES

	Consolidated 2014 $000	2013 $000
Petroleum products	**77,100**	65,552
Drilling and maintenance stocks	**26,402**	24,537
Less provision for obsolesence	**(11,665)**	(13,786)
Total current inventories at lower of cost and net realisable value	**91,837**	76,303
Petroleum products included above which are stated at net realisable value	**55,237**	34,993

Note 11

DERIVATIVE FINANCIAL INSTRUMENTS

Current assets	**11**	31
Non current assets	**21**	21
Derivative assets held	**32**	52
Current liabilities	**(29,195)**	-
Non current liabilities	**-**	(14,866)
Derivative liabilities held	**(29,195)**	(14,866)
Net derivative liabilities held	**(29,163)**	(14,814)

The amount shown for current liabilities of $29.2 million (2013: non-current $14.9 million) is the fair value of the conversion rights relating to the convertible notes on issue. The conversion rights can be settled in cash or ordinary shares of the parent entity, at the option of the issuer, and the number of shares to be issued at conversion is subject to the conversion price which may reset under certain circumstances. Accordingly, the conversion rights are a derivative financial liability and are marked to market. The conversion rights have been reclassified from non-current to current in this financial year to reflect that Beach may be required to repay the Notes on the investor put date of 3 April 2015, being the third anniversary of their issue.

Current assets and liaiblities reflect those instruments which are due for settlement within one year based on a valuation at year end including those instruments which have been settled prior to their expiry but subsequent to 30 June 2014.

Non current assets and liabilites relate to instruments which are due to settle in excess of 1 year based on a valuation at year end. Further information regarding derivatives is disclosed in Note 32.

These derivative financial instruments are measured at fair value using the valuation provided from the relevant financial institution. The valuations would be recognised as a Level 2 in the fair value heirarchy as defined under AASB 13 Fair Value Measurement, as they have been derived using inputs from a variety of market data.

Note 12

OTHER CURRENT ASSETS

Prepayments	**7,894**	6,417

Note 13

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Investment in listed securities at fair value	**70,331**	42,056

These investments are measured at fair value using the closing price on the reporting date as listed on various securities exchanges. Prices from these securities exchanges are recognised as Level 1 in the fair value hierarchy as defined under AASB 13 Fair Value Measurement.

Note 14

PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2014 $000	Consolidated 2013 $000
Land and buildings		
Freehold land at cost	**2,095**	2,095
Buildings at cost	**40,193**	27,669
Less accumulated depreciation	**(13,513)**	(13,545)
Total land and buildings	**28,775**	16,219
Reconciliation of movement in land and buildings:		
Freehold land at cost	**2,095**	2,136
Transfer to development	**-**	(41)
Total land	**2,095**	2,095
Balance at beginning of financial year	**14,124**	11,291
Additions	**15,465**	3,670
Disposals	**(1,802)**	-
Depreciation expense	**(1,107)**	(837)
Total buildings	**26,680**	14,124
Total land and buildings	**28,775**	16,219
Office equipment		
Office equipment at cost	**9,477**	6,901
Less accumulated depreciation	**(5,939)**	(5,216)
Total office equipment	**3,538**	1,685
Reconciliation of movement in office equipment:		
Balance at beginning of financial year	**1,685**	849
Additions	**2,635**	1,271
Disposals	**(22)**	-
Depreciation expense	**(751)**	(437)
Foreign exchange movement	**(9)**	2
Total office equipment	**3,538**	1,685
Production facilities and field equipment		
Production facilities and field equipment	**794,135**	711,784
Less accumulated depreciation	**(385,724)**	(346,765)
Total production facilities and field equipment	**408,411**	365,019
Reconciliation of movement in production facilities and field equipment:		
Balance at beginning of financial year	**365,019**	322,480
Additions	**83,141**	72,252
Disposals	**(284)**	(141)
Impairment of production facilities and field equipment (1)	-	(25)
Depreciation expense	**(39,307)**	(30,231)
Foreign exchange movement	**(158)**	684
Total production, facilities and field equipment	**408,411**	365,019
Total property, plant and equipment (2)	**440,724**	382,923

Assumptions and critical accounting estimates regarding impairment calculations are discussed in Note 2(d).

(1) *Property, plant and equipment is assessed on a bi-annual basis and compared to the carrying values to determine if any impairment exists. In FY13, an impairment expense was recorded against Other Australian assets.*

(2) *Includes assets under construction of $52.6 million (2013: $41.9 million).*

Note 15

PETROLEUM ASSETS

	Consolidated 2014 $000	2013 $000
Petroleum assets at cost	**1,688,759**	1,389,025
Less accumulated amortisation	**(816,662)**	(674,589)
Total petroleum assets	**872,097**	714,436
Reconciliation of movement in petroleum assets		
Balance at beginning of financial year	**714,436**	599,146
Additions	**224,357**	143,951
Increase in restoration	**15,310**	1,122
Acquisition of joint venture interest	**-**	89
Transfer from fixed assets	**-**	41
Transfer from exploration and evaluation expenditure	**66,649**	64,116
Disposals	**(4,487)**	(843)
Amortisation expense	**(143,710)**	(95,008)
Foreign exchange movement	**(458)**	1,822
Total petroleum assets [1]	**872,097**	714,436

Assumptions and critical accounting estimates regarding impairment calculations are discussed in Note 2(d).

Retention of petroleum assets is subject to meeting certain work obligations/ commitments (refer to Note 34).

(1) *Includes assets under construction of $118.1 million (2013: $108.7 million).*

Note 16

EXPLORATION AND EVALUATION ASSETS

	2014 $000	2013 $000
Exploration and evaluation areas at beginning of financial year (net of amounts written off)	**579,376**	553,568
Additions	**195,303**	203,330
Increase in restoration	**912**	1,254
Acquisitions of joint venture interests	**1,336**	20,174
Transfer to petroleum assets	**(66,649)**	(64,116)
Impairment of exploration expenditure [1]	**(162,244)**	(3,450)
Disposal of joint venture interests	**(1,477)**	(157,389)
Foreign exchange movement	**(4,816)**	26,005
Total exploration and evaluation expenditure	**541,741**	579,376

Assumptions and critical accounting estimates regarding impairment calculations are discussed in Note 2(d).

Retention of exploration assets is subject to meeting certain work obligations/exploration commitments (refer to Note 34)

(1) *Exploration and evaluation carrying values are assessed on a bi-annual basis by senior management and where activities in the area have reached a stage that permits reasonable assessment of the existence of proven and probable hydrocarbon reserves and it has been concluded that the capitalised expenditure is unlikely to be recovered by sale or future exploitation, a recommendation is made to the Board to make the relevant adjustment through the statement of profit or loss. Following the review in FY14, International exploration assets of $148.6 million were impaired which relates to assets in the Egypt area of interest. Whilst there is an ongoing exploration program in this area, which if successful could recover the carrying value, it has been decided to impair the carrying value to the NPV of risked mean outcomes, given the permit relinquishments and drilling results during the year. A further $13.6 million of impairment write-downs have also been recognised which relate to Other Australian exploration assets. In FY13, International exploration assets of $2.7 million were impaired along with $0.8 million in relation to Other Australian exploration assets. All impairment write-downs have been recognised within other expenses in the statement of profit or loss.*

Note 17

DEFERRED TAX ASSETS

	Consolidated 2014 $000	2013 $000
Deferred tax assets are attributable to the following:		
Property, plant and equipment	**2,269**	7,824
Provisions	**42,671**	34,662
Employee benefits	**2,541**	2,106
Other items	**12,382**	15,369
Tax value of loss carry-forwards	**658**	1,938
Inventories	**3,396**	4,052
Total	**63,917**	65,951

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:		
Contingent consideration on sale of controlled entity	**1,387**	1,387
Tax losses (capital)	**10,275**	10,932
Foreign tax losses (revenue)	**15,236**	5,980
PRRT (net of income tax)	**796,655**	854,293
Revaluation of available for sale assets	**-**	574
Total	**823,553**	873,166

The taxation benefits will only be obtained if:

(i) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

(ii) conditions for deductibility imposed by the law are complied with; and

(iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Note 18

OTHER NON-CURRENT ASSETS

Security deposits	**3**	53
Prepayments	**27,900**	20,589
Total other non-current assets	**27,903**	20,642

Note 19

CURRENT TRADE AND OTHER PAYABLES

Trade payables	**149,844**	120,673
Other payables	**10,208**	6,416
Total trade and other payables	**160,052**	127,089

Note 20

PROVISIONS

	Consolidated 2014 $000	2013 $000
Current		
Employee benefits	**6,236**	4,684
Managing Director's retirement benefit	**1,453**	1,382
Carbon	**6,361**	1,837
Restoration	**5,237**	1,080
Total current provisions	**19,287**	8,983
Non-Current		
Employee benefits	**781**	951
Restoration	**130,989**	112,957
Take or pay gas	**-**	541
Total non-current provisions	**131,770**	114,449

Movement in each class of provision (excluding employee benefits) are set out below:

Consolidated entity	Carbon Tax	Total Restoration	Take or Pay Gas contracts	Directors Retirement
	$000	$000	$000	$000
Balance at 1 July 2013	**1,837**	**114,037**	**541**	**1,382**
Provision made during the year	**17,445**	**16,222**	**-**	**71**
Provision used during the year	**(12,921)**	**(3,754)**	**(541)**	**-**
Acquisitions/disposals	**-**	**(26)**	**-**	**-**
Unwind of discount	**-**	**9,747**	**-**	**-**
Balance at 30 June 2014	**6,361**	**136,226**	-	**1,453**

Restoration

Provisions for future removal and restoration costs are recognised 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 outow of economic benets will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

Managing Director's retirement benefit

Under the service agreement with the Managing Director of Beach, a termination benefit may, in appropriate circumstances, become payable for which a provision has been recognised. Further details of this contract are contained in the Remuneration Report.

Carbon

Provisions for carbon costs are recognised when there is a present obligation to settle the group's emissions of carbon dioxide equivalent.

Note 21

CURRENT TAX LIABILITIES

	Consolidated	
	2014 $000	2013 $000
Tax payable	**65,485**	29,425

Note 22

BORROWINGS

Convertible notes		
Current	**127,085**	-
Non-current	**-**	119,953
Total Convertible note borrowings	**127,085**	119,953

Reconciliation of note issue		
Face value of notes issued	**150,000**	150,000
Less conversion rights (see derivatives Note 11)	**(33,339)**	(33,339)
Less transaction costs	**(2,675)**	(3,648)
Add finance costs in prior period	**6,940**	1,336
Add finance costs in current period	**6,159**	5,604
Total Convertible note borrowings	**127,085**	119,953

On 3 April 2012, Beach issued A$150 million of convertible notes (Notes). The Notes carry a fixed coupon rate of 3.95% per annum, payable semi-annually in arrears, for a term of five years. They will rank as senior unsecured obligations of Beach and are listed on the Singapore Securities Exchange. Prior to maturity, the Notes are convertible into Beach Ordinary Shares at a price of $1.91 per share (subject to certain adjustments) (2013: $1.97). Beach has the right to redeem all of the Notes on or after the third anniversary of issue if Beach's share price exceeds 130% of the conversion price for a certain period of time or if 10% or less of the principal amount of the Notes remains outstanding. Notes were eligible for conversion commencing on or after 14 May 2012 (being 41 days following the issue date) and up to and including the close of business on 24 March 2017, into fully paid Ordinary Shares, unless previously redeemed, converted, purchased or cancelled. No Notes have been converted up to 30 June 2014. On conversion by the holder, and subject to any conversion price resets, Beach may elect to settle the Notes in cash or Ordinary Shares. Based on the current conversion price, up to 78,534,031 (2013: 76,142,132) new Beach Ordinary Shares could be issued. The final number of shares to be issued may be impacted by any further adjustments to the conversion price under the terms of the Notes issue.

Holders have the right to have the Notes redeemed at the issue price together with any accrued interest on the third anniversary of issue being 3 April 2015 (investor put date) or following a delisting or change of control event. The Notes have been reclassified from non-current to current in this financial year to reflect that Beach may be required to repay the Notes on the investor put date.

On 31 July 2013, Beach negotiated a $320 million syndicated debt facility comprising $150 million three year revolving loan facility; $150 million five year revolving loan facility; and a $20 million letter of credit facility. As at 30 June 2014, both loan facilities were undrawn.

Note 23

DEFERRED TAX LIABILITIES

Property, plant and equipment	**229,886**	184,093
Investments	**11,408**	7,919
Other items	**7,551**	12,668
Inventories	**2,160**	2,837
Total deferred tax liabilities	**251,005**	207,517

Note 24

ISSUED CAPITAL

(a) Ordinary shares

	Number of Shares	$000
Issued and fully paid ordinary shares at 30 June 2012	1,255,464,157	1,200,211
Issued during the FY13 financial year		
29 August 2012 - Employee Incentive Plan	719,605	-
30 September 2012 – shares issued under the terms of the Dividend Reinvestment Plan for final 1.5 cent per share dividend	6,756,685	8,513
15 October 2012 - Employee Incentive Plan	737,125	-
28 February 2013 - Employee Incentive Plan	1,211,825	-
5 April 2013 – shares issued under the terms of the Dividend Reinvestment Plan for interim 0.75 cent per share dividend	2,916,291	3,908
24 May 2013 - Employee Incentive Plan	841,500	-
Less cost of share issues (net of tax)	-	(88)
Repayment of employee loans and sale of employee shares	-	1,557
Issued and fully paid ordinary shares at 30 June 2013	**1,268,647,188**	**1,214,101**
Issued during the FY14 financial year		
1 July 2013 – shares issued on vesting of unlisted performance rights	**751,995**	**-**
29 August 2013 - Employee Incentive Plan	**121,935**	**-**
27 September 2013 – shares issued under the terms of the Dividend Reinvestment Plan for final 2.0 cent per share dividend	**8,012,844**	**10,625**
12 November 2013 – Exercise of unlisted options	**425,000**	**598**
20 December 2013 – shares issued on vesting of unlisted performance rights	**389,780**	**-**
25 February 2014 – shares issued on vesting of unlisted performance rights	**4,892,262**	**-**
28 March 2014 – shares issued under the terms of the Dividend Reinvestment Plan for interim 1.0 cent per share dividend and special 1.0 cent per share dividend	**5,938,056**	**9,667**
14 April 2014 – Exercise of unlisted options	**50,000**	**71**
14 April 2014 – shares issued on vesting of unlisted performance rights	**400,000**	**-**
8 May 2014 – Exercise of unlisted options	**1,815,939**	**2,582**
16 May 2014 – Exercise of unlisted options	**221,519**	**315**
24 June 2014 – Exercise of unlisted options	**171,519**	**244**
30 June 2014 – shares issued on vesting of unlisted performance rights	**161,633**	**-**
Repayment of employee loans and sale of employee shares	**-**	**1,739**
Issued and fully paid ordinary shares at 30 June 2014	**1,291,999,670**	**1,239,942**

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 37 for further details.

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

Note 24

ISSUED CAPITAL (Continued)

(b) Current Options

Date of Issue	Number of shares subject to option	Exercise price	Exercisable by
2006 Employee Long Term Options			
1 December 2006	**6,418,280**	$1.406	1 December 2013
Less options lapsed during FY13	**(1,568,280)**		
Less options lapsed during FY14	**(4,425,000)**		
Less options exercised during FY14	**(425,000)**		
	-		
2007 Employee Long Term Options			
28 February 2008	**2,258,977**	$1.422	27 February 2015
Less options exercised during FY14	**(2,258,977)**		
	-		
Total options outstanding at 30 June 2014	**-**		

All options either lapsed or were exercised in FY14 as detailed in the Remuneration report.

(c) Employee Incentive Plan

Beach has established an Employee Incentive Plan. 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. At the end of the reporting period 12,866,549 (FY13: 14,412,517) fully paid ordinary shares were on issue to employees.

The following employee shares are currently on issue:	No. of Shares on issue	Issue Price	Fair Value $000
Balance as at 30 June 2012	14,019,262		
Issued during the financial year – 29 August 2012	719,605	$1.230	541
– 15 October 2012	737,125	$1.320	572
– 28 February 2013	1,211,825	$1.360	1,004
– 24 May 2013	841,500	$1.279	620
Sold / loan repaid during the financial year	(3,116,800)		
Balance as at 30 June 2013	**14,412,517**		
Issued during the financial year – 29 August 2013	**121,935**	**$1.364**	**102**
Sold / loan repaid during the financial year	**(1,667,903)**		
Balance as at 30 June 2014	**12,866,549**		

The closing ASX share price of Beach fully paid ordinary shares at 30 June 2014 was $1.68 as compared to $1.135 as at 30 June 2013.

Note 24

ISSUED CAPITAL (Continued)

(d) Share Rights

Movements in unlisted incentive rights are set out below:

	2014	2013
	Number	Number
Balance at beginning of period	**11,767,747**	8,437,259
Issued during the period	**2,359,026**	3,352,829
Cancelled during the period	**(4,773)**	(22,341)
Vested during the period	**(6,595,670)**	-
Balance at end of period	**7,526,330**	11,767,747

(e) Dividend Reinvestment Plan

Beach has established a Dividend Reinvestment Plan under which holders of fully paid ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new fully paid ordinary shares rather than by being paid in cash. Shares are issued under this plan at a discount to the market price as set by the Board of Directors.

Note 25

RESERVES

	Consolidated	
	2014 $000	2013 $000
Share based payments reserve [1]	**25,652**	21,078
Available-for-sale reserve [2]	**10,152**	(2,789)
Foreign currency translation reserve [3]	**22,525**	28,324
Total reserves	**58,329**	46,613

[1] *Share based payments reserve is used to recognise the fair value of shares, options and rights issued to employees of the Company. Refer Note 37.*

[2] *Available-for-sale reserve – Changes in the fair value of available for sale financial assets are recognised in this reserve. Amounts are recognised in the statement of profit or loss when the associated assets are sold or impaired.*

[3] *Foreign currency translation reserve - Used to record foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than Australian dollars.*

Note 26

CONSOLIDATED ENTITIES

Name of Company	Place of incorporation	Percentage of shares held % 2014	% 2013
Beach Energy Limited	South Australia		
Beach Petroleum (NZ) Pty Ltd	South Australia	100	100
Beach Oil and Gas Pty Ltd	New South Wales	100	100
Beach Production Services Pty Ltd	South Australia	100	100
Beach Petroleum Pty Ltd	Victoria	100	100
Beach Petroleum (Cooper Basin) Pty Ltd	Victoria	100	100
Beach Petroleum (CEE) s.r.l	Romania	100	100
Beach Petroleum (Egypt) Pty Ltd	Victoria	100	100
Beach Petroleum (Exploration) Pty Ltd	Victoria	100	100
Beach Petroleum (NT) Pty Ltd	Victoria	100	100
Beach Petroleum (Tanzania) Pty Ltd	Victoria	100	100
Beach Petroleum (Tanzania) Limited	Tanzania	100	100
Beach (USA) Inc	USA	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	Victoria	100	100
Delhi Holdings Pty Ltd	Victoria	100	100
Delhi Petroleum Pty Ltd	South Australia	100	100
Impress Energy Pty Ltd	Western Australia	100	100
Impress (Cooper Basin) Pty Ltd	Victoria	100	100
Springfield Oil and Gas Pty Ltd	Western Australia	100	100
Mazeley Ltd	Liberia	100	100
Mawson Petroleum Pty Ltd	Queensland	100	100
Claremont Petroleum (USA) Pty Ltd	Victoria	100	100
Tagday Pty Ltd	New South Wales	100	100
Claremont Petroleum (PNG) Ltd	Papua New Guinea	100	100
Midland Exploration Pty Ltd	South Australia	100	100
Petrogulf Resources Ltd (1)	New South Wales	-	-
Shale Gas Australia Pty Ltd	Victoria	100	100

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

(1) *A Form 523 - Notification of final meeting convened by liquidator was lodged on Friday 18 July. Petrogulf Resources Ltd will be deregistered by ASIC 3 months after the lodgement of the Form 523. As such, it is expected Petrogulf will be deregistered by 18 October 2014.*

Note 27

INTEREST IN JOINT OPERATIONS

The consolidated entity has a direct interest in a number of unincorporated joint operations with those significant joint operation interests shown below:

Joint Operation	Principal activities	% interest 2014	% interest 2013
Oil and Gas interests			
Abu Sennan	Oil production and exploration	**22.0**	22.0
Block 28	Oil exploration	**30.0**	30.0
Naccowlah Block	Oil production	**38.5**	38.5
North Shadwan	Oil production and exploration	**20.0**	20.0
PEL31,32,47	Oil production	**100.0**	100.0
PEL91	Oil production	**40.0**	40.0
PRLs 85-104	Oil production	**75.0**	75.0
PEL104	Oil production	**40.0**	40.0
PEL106	Gas exploration	**50.0**	50.0
PRLs 33-49 (Permian)	Shale gas exploration	**70.0**	70.0
ATP 855	Shale gas exploration	**46.9**	46.9
SA Fixed Factor Area	Oil and gas production	**20.2**	20.2
SA Unit	Oil production	**20.2**	20.2
SWQ Unit	Gas production	**23.2**	23.2
Total 66 Block	Oil production	**30.0**	30.0

	Consolidated 2014 $000	Consolidated 2013 $000
INTEREST IN JOINT OPERATIONS		
Current assets	**118,546**	111,410
Non-current assets	**1,804,093**	1,642,095
Total assets	**1,922,639**	1,753,505
Current liabilities	**123,646**	110,592
Non-current liabilities	**130,989**	113,498
Total liabilities	**254,635**	224,090
Net assets	**1,668,004**	1,529,415
Revenue	**1,057,855**	700,919
Expenses [1]	**(812,033)**	(478,406)
Profit before income tax	**245,822**	222,513

[1] *Expenses include impairment of exploration and petroleum joint operation assets of $162.2 million (2013: $3.5 million).*

Details of commitments and contingent liabilities with respect to the group's interests in joint operations are shown in Notes 34 and 35 respectively.

Note 28

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.

(a) Management Personnel

Disclosures relating to key management personnel are set out in the remuneration report.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 26.

(c) Transactions with wholly-owned controlled entities

Beach advanced interest free loans to wholly-owned controlled entities. In addition to these loans, Beach and wholly owned subsidiaries Mawson Petroleum, Impress Cooper Basin Pty Ltd and Springfield Oil & Gas Pty Ltd sold petroleum to wholly owned subsidiary Delhi Petroleum Pty Ltd. Effects of these transactions have been eliminated in full on consolidation.

(d) Transactions with other related parties

During the financial year ended 30 June 2014 , Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a partner. Beach paid $239,045 during the financial year (FY13: $320,490) to DMAW lawyers for legal and advisory services, of which $15,059 related to FY13. In addition to fees paid during the year a further $9,680 (FY13: $32,455) is payable to DMAW Lawyers as at 30 June 2014 for invoices received but not yet paid and work in progress not yet invoiced. Directors fees payable to Mr Davis for the year ended 30 June 2014 of $250,000 (FY13: $208,324) were also paid directly to DMAW Lawyers.

During the financial year Beach paid $30,000 (plus GST) to Energy Insights (a company owned by Mr Rayner) for office rental in Brisbane.

Note 29

SEGMENT INFORMATION

The consolidated entity has identified its operating segments to be its Cooper Basin interests, Other Australia and International 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 Managing Director for assessing performance and determining the allocation of resources within the consolidated entity.

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

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

Cooper segment revenue represents oil and gas sales from Australian production. International segment revenue represents oil and gas sales from Egyptian production.

Details of the performance of each of these operating segments for the financial years ended 30 June 2014 and 30 June 2013 are set out as follows:

Note 29

SEGMENT INFORMATION (Continued)

	Cooper		Other Australia		International		Total	
	2014 $000	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000
Segment revenue								
Oil and gas sales [1]	**1,045,972**	684,837	**-**	-	**6,157**	13,374	**1,052,129**	698,211

[1] *During the year revenue from two customers amounted to $794.3 million (2013: $408.9 million from three customers) arising from sales from the Cooper segment.*

	Cooper 2014	Cooper 2013	Other Australia 2014	Other Australia 2013	International 2014	International 2013	Total 2014	Total 2013
Segment results								
Gross segment result before depreciation, amortisation and impairment	**595,891**	356,329	**(1,849)**	(1,219)	**1,692**	2,405	**595,734**	357,515
Depreciation and amortisation	**(177,423)**	(123,844)	**(27)**	(23)	**(6,092)**	(1,840)	**(183,542)**	(125,707)
	418,468	232,485	**(1,876)**	(1,242)	**(4,400)**	565	**412,192**	231,808
Other income							**5,595**	2,249
Other revenue							**19,537**	29,370
Net financing costs							**(12,799)**	(7,844)
Other expenses [1]							**(222,114)**	(41,582)
Profit before tax							**202,411**	214,001
Income tax expense							**(100,634)**	(60,351)
Net profit after tax							**101,777**	153,650

[1] *Consolidated other expenses includes impairment of assets within Other Australia segment of $13.6 million (2013: $0.8 million) and International segment of $148.6 million (2013: $2.7 million).*

	Cooper 2014	Cooper 2013	Other Australia 2014	Other Australia 2013	International 2014	International 2013	Total 2014	Total 2013
Segment assets	**1,673,164**	1,397,871	**81,906**	58,967	**200,799**	323,507	**1,955,869**	1,780,345
Total corporate and unallocated assets							**698,783**	624,443
Total consolidated assets							**2,654,652**	2,404,788
Segment liabilities	**229,417**	187,179	**34,939**	31,175	**5,017**	2,577	**269,373**	220,931
Total corporate and unallocated liabilities							**514,506**	401,351
Total consolidated liabilities							**783,879**	622,282
Additions and acquisitions of non current assets								
Exploration and evaulation assets	**127,865**	187,761	**37,687**	11,446	**31,999**	28,272	**197,551**	227,479
Oil and gas assets	**227,156**	142,074	**-**	421	**12,511**	2,667	**239,667**	145,162
Other land, buildings, plant and equipment	**86,510**	69,954	**-**	280	**1,676**	2,057	**88,186**	72,291
	441,531	399,789	**37,687**	12,147	**46,186**	32,996	**525,404**	444,932
Total corporate and unallocated assets							**13,056**	4,902
Total additions and acquisitions of non current assets							**538,460**	449,834

	Australia		Egypt		Other Countries		Total	
	2014 $000	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000
Non-current assets*	**1,683,260**	1,379,362	**142,149**	282,056	**57,055**	35,959	**1,882,464**	1,697,377

**excluding financial assets and deferred tax assets*

Note 30

CASH FLOW INFORMATION

		Consolidated 2014 $000	Consolidated 2013 $000
(a)	**Reconciliation of cash**		
	For the purposes of the statement of cash flows, cash includes cash on hand and in banks and highly liquid investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
	Cash	**38,097**	23,151
	Cash on deposit	**373,210**	324,450
	Total cash	**411,307**	347,601
b)	**Reconciliation of net profit to net cash provided by operating activities:**		
	Net profit after tax	**101,777**	153,650
	Less items classified as investing/financing activities:		
	- Gain on disposal of non-current assets	**(3,299)**	(90)
	- Recognition of deferred tax assets/(liability) on items direct in equity	**(4,725)**	664
	- Loss/(gain) on disposal of investments	**-**	25
	- Gain on disposal of joint operation interests	**(15,693)**	(26,589)
		78,060	127,660
	Add/(less) non-cash items:		
	- Share based payments	**4,574**	4,873
	- Depreciation and amortisation	**184,875**	126,513
	- Impairment expenses	**162,244**	3,475
	- Unrealised hedging loss	**1,297**	197
	- Discount unwinding on convertible note	**6,159**	5,604
	- Discount unwinding on provision for restoration	**9,747**	8,485
	- Unrealised movement in the value of convertible note conversion rights	**14,328**	3,091
	- Provision for stock obsolesence movement	**(1,749)**	3,679
	- Bad debts	**17**	13
	Net cash provided by operating activities before changes in assets and liabilities	**459,552**	283,590
	Changes in assets and liabilities net of acquisitions / disposal of subsidiaries:		
	- Decrease/(increase) in trade and other receivables	**54,731**	(66,450)
	- Increase in inventories	**(13,868)**	(15,557)
	- (Increase)/decrease in other current assets	**(504)**	1,006
	- Increase in provisions	**5,978**	2,914
	- Increase in current tax liability	**36,060**	29,123
	- Decrease in deferred tax asset	**2,033**	1,058
	- Increase in deferred tax liability	**43,488**	28,774
	- Increase in other non-current assets	**(7,260)**	(7,597)
	- Increase in trade and other payables	**2,401**	4,412
	Net cash provided by operating activities	**582,611**	261,273

(c) Other non-cash investing and financing activities

Shares issued under the Company's dividend reinvestment plan and employee investment plan (Note 24).

Note 31

DEED OF CROSS GUARANTEE

Pursuant to Class Order 98/1418, wholly-owned subsidiaries Australian Petroleum Investments Pty Ltd, Delhi Petroleum Pty Ltd, Impress Energy Pty Ltd, Impress (Cooper Basin) Pty Ltd and Springfield Oil & Gas Pty Ltd (Subsidiaries) are 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 (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.

The consolidated statement of profit or loss and statement of financial position of the Closed Group are as follows:

	Closed Group	
	2014	2013
	$000	$000
Consolidated Statement of Profit or Loss		
Sales revenue	**1,037,282**	689,599
Cost of sales	**(637,361)**	(458,900)
Gross profit	**399,921**	230,699
Other revenue	**678**	1,610
Other income	**13,566**	35,684
Other expenses	**(163,062)**	(36,809)
Operating profit before financing costs	**251,103**	231,184
Interest income	**13,725**	15,831
Finance expenses	**(26,223)**	(23,350)
Profit before income tax expense	**238,605**	223,665
Income tax expense	**(88,768)**	(74,952)
Profit after tax for the year	**149,837**	148,713
Retained earnings at beginning of the year	**433,687**	295,987
Opening retained earnings of additional members in Closed Group	**-**	17,328
Dividends paid to shareholders	**(51,067)**	(28,341)
Retained earnings at end of the year	**532,457**	433,687

Note 31

DEED OF CROSS GUARANTEE (Continued)

	Closed Group 2014 $000	Closed Group 2013 $000
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	**398,315**	334,218
Trade and other receivables	**134,289**	165,344
Inventories	**91,301**	75,566
Derivative financial instruments	**11**	31
Other	**7,888**	6,410
Total current assets	**631,804**	581,569
Non-current assets		
Receivables	**43,549**	117,465
Available for sale financial assets	**70,331**	42,056
Property, plant and equipment	**428,157**	371,614
Petroleum assets	**792,696**	683,296
Exploration and evaluation assets	**352,136**	238,379
Deferred tax assets	**61,755**	63,330
Derivative financial instruments	**21**	21
Other financial assets	**160,698**	146,878
Other	**27,899**	20,640
Total non-current assets	**1,937,242**	1,683,679
Total assets	**2,569,046**	2,265,248
Current liabilities		
Trade and other payables	**166,572**	128,681
Provisions	**17,807**	7,930
Current Tax Liability	**65,734**	29,425
Borrowings	**127,085**	-
Derivative financial instruments	**29,195**	-
Total current liabilities	**406,393**	166,036
Non-current liabilities		
Borrowings	**-**	119,953
Derivative financial instruments	**-**	14,866
Deferred tax liabilities	**227,771**	187,987
Provisions	**126,679**	110,329
Total non-current liabilities	**354,450**	433,135
Total liabilities	**760,843**	599,171
Net assets	**1,808,203**	1,666,077
Equity		
Issued capital	**1,239,942**	1,214,101
Reserves	**35,804**	18,289
Retained earnings	**532,457**	433,687
Total equity	**1,808,203**	1,666,077

Note 32

FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial market risks (including currency, commodity, interest rate, credit and liquidity risk). The consolidated entity's financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity may use derivative financial instruments such as foreign exchange contracts, commodity contracts and interest rate swaps to hedge certain risk exposures.

Financial risk management is carried out by Management. The Board sets the risk management policies and procedures by which Management are to adhere to. Management identifies and evaluates all financial risks and enters into financial risk instruments to mitigate these risk exposures in accordance with the policies and procedures as outlined by the Board. The consolidated entity does not trade in derivative financial instruments for speculative purposes.

The Board actively reviews all hedging on a monthly basis. Reports providing detailed analysis of all of the consolidated entity's hedging are continually monitored against the Company policy. Regular updates are provided to the Board from independent consultants/banking analysts to keep the Board fully informed of the current status of the financial markets.

(a) Market Risk

Details of financial instruments held by the group are shown in Note 32(d).

(i) Foreign currency 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 consolidated entity sells its petroleum and commits to contracts in US dollars. Australian dollar oil option contracts (see Note 32(a)(ii)) are used by the consolidated entity to manage its foreign currency risk exposure. Any foreign currencies held which are surplus to forecast needs are converted to Australian dollars as required.

Sensitivity analysis - changes in Australian/US dollar exchange rate

The following Table demonstrates the estimated sensitivity to a 10% increase/decrease in the Australian/US dollar exchange rate, with all variables held constant, on post tax profit and equity. These sensitivities should not be used to forecast the future effect of movement in the US dollar exchange rate on future cash flows.

	Consolidated	
	2014	2013
	$000	$000
Impact on post-tax profit		
AUD/US$ + 10%	**(40,326)**	(27,291)
AUD/US$ - 10%	**49,287**	30,092
Impact on equity		
AUD/US$ + 10%	**(40,326)**	(27,291)
AUD/US$ - 10%	**49,287**	30,092

Whilst the Table demonstrates the impact on post tax profit, it does not take into account the cash flow effect which may be different as a result of the consolidated entity's hedge book.

Note 32

FINANCIAL RISK MANAGEMENT (Continued)

(ii) Commodity risk

The consolidated entity is exposed to commodity price fluctuations through the sale of petroleum products and other oil-linked contracts. Option contracts are used by the consolidated entity to manage its forward commodity risk exposure. The consolidated entity's policy is to hedge up to 80% of forecast oil production by way of Australian dollar denominated oil floor contracts for up to 18 months.

Changes in fair value of these derivatives are recognised immediately in the statement of profit or loss.

Commodity Hedges outstanding at 30 June 2014

- Brent Crude oil monthly average fixed price floor for $65/bbl for 180,000 bbls/month for the period July 2014–December 2014, 135,000 bbls/month for the period January 2015–March 2015, 90,000 bbls/month for the period April 2015–June 2015 and 45,000 bbls/month for the period July 2015–September 2015.
- Brent Crude oil monthly average fixed price floor for $70/bbl for 37,500 bbls/month for the period January 2015–December 2015.

Commodity Hedges outstanding at 30 June 2013

- Brent Crude oil monthly average fixed price floor for A$55/bbl for 150,000 bbls/month for the period July 2013–September 2013, 100,000 bbls/month for the period October 2013–December 2013, 50,000 bbls/month for the period January 2014–March 2014.
- Brent Crude oil monthly average fixed price floor for A$60/bbl for 50,000 bbls/month for the period July 2013–June 2014.
- Brent Crude oil monthly average fixed price floor for A$65/bbl for 45,000 bbls/month for the period October 2013–September 2014.

Sensitivity analysis - changes in US$ oil price

The following Table demonstrates the estimated sensitivity to a US$10 increase / decrease in the oil price, with all variables held constant, on post tax profit and equity. These sensitivities should not be used to forecast the future effect of movement in the oil price on future cash flows.

	Consolidated	
	2014	2013
	$000	$000
Impact on post-tax profit		
US$ oil price + $10	**39,289**	23,483
US$ oil price - $10	**(39,289)**	(24,954)
Impact on equity		
US$ oil price + $10	**39,289**	23,483
US$ oil price - $10	**(39,289)**	(24,954)

Whilst the Table demonstrates the impact on post tax profit, it does not take into account the cash flow effect which may be different as a result of the consolidated entity's hedge book.

Note 32

FINANCIAL RISK MANAGEMENT (Continued)

(iii) Interest rate risk

Interest Rate Swap

The consolidated entity's interest rate risk arises from the interest bearing cash held on deposit. Interest rate risk may also arise from bank loan facility, which if drawn down, is subject to variable interest rates. The bank loan facility was undrawn at 30 June 2013 and 30 June 2014.

Sensitivity analysis - changes in interest rates

The following Table demonstrates the estimated sensitivity to a 1% increase/decrease in the interest rates, with all variables held constant, on post tax profit and equity. These sensitivities should not be used to forecast the future effect of movement in the oil price on future cash flows.

	Consolidated	
	2014	2013
	\$000	\$000
Impact on post-tax profit		
Interest rates + 1%	**2,859**	2,257
Interest rates - 1%	**(2,859)**	(2,257)
Impact on equity		
Interest rates + 1%	**2,859**	2,257
Interest rates - 1%	**(2,859)**	(2,257)

Whilst the Table demonstrates the impact on post tax profit, it does not take into account the cash flow effect which may be different as a result of the consolidated entity's hedge book.

Weighted average interest rates on floating and fixed interest financial instruments are detailed in Note 32(c).

(b) 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. Refer to the Table within Note 32(c) for weighted average interest rates and floating and fixed interest financial instruments. Gas sales contracts are spread across major Australian energy retailers and industrial users with liquid hydrocarbon products sales being made to major multi-national energy companies based on international market pricing.

In addition, receivables balances are monitored on an ongoing basis with the result that Beach's exposure to bad debts is not significant. The consolidated entity does not hold collateral, nor does it securitise its trade and other receivables. At 30 June 2014 , Beach does not have any material trade and other receivables which are outside standard trading terms which have not been provided against.

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.

(c) 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 consolidated entity 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 Notes 22 and 35.

Note 32

FINANCIAL RISK MANAGEMENT (Continued)

The consolidated entity's exposure to interest rate and liquidity risk for each class of financial assets and financial liabilities is set out below:

		Floating interest rate		Fixed interest maturing in: 1 year or less		Fixed interest maturing in: Over 1 to 5 years		Non-interest bearing[1]		Total	
	Note	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Financial assets											
Cash	30	**91,307**	62,601	**320,000**	285,000	**-**	-	**-**	-	**411,307**	347,601
Current receivables	9	**-**	-	**-**	-	**-**	-	**126,869**	169,031	**126,869**	169,031
Current derivatives	11	**-**	-	**-**	-	**-**	-	**11**	31	**11**	31
Other current	12	**-**	-	**-**	-	**-**	-	**7,894**	6,417	**7,894**	6,417
Available-for-sale	13	**-**	-	**-**	-	**8,995**	7,709	**61,336**	34,347	**70,331**	42,056
Non-current derivatives	11	**-**	-	**-**	-	**-**	-	**21**	21	**21**	21
Other non-current	18	**-**	-	**-**	-	**-**	-	**27,903**	20,642	**27,903**	20,642
		91,307	62,601	**320,000**	285,000	**8,995**	7,709	**224,034**	230,489	**644,336**	585,799
Weighted average effective interest rate		***1.53%***	*3.29%*	***3.72%***	*4.54%*	***5.67%***	*6.47%*	**-**	-	**-**	-
Financial liabilities											
Current payables	19	**-**	-	**-**	-	**-**	-	**160,052**	127,089	**160,052**	127,089
Current convertible notes	22	**-**	-	**127,085**	-	**-**	-	**-**	-	**127,085**	-
Current derivatives	11	**-**	-	**-**	-	**-**	-	**29,195**	-	**29,195**	-
Non-current convertible notes	22	**-**	-	**-**	-	**-**	119,953	**-**	-	**-**	119,953
Non-current derivatives	11	**-**	-	**-**	-	**-**	-	**-**	14,866	**-**	14,866
		-	-	**127,085**	-	**-**	119,953	**189,247**	141,955	**316,332**	261,908
Weighted average effective interest rate		**-**	-	***3.95%***	-	**-**	*3.95%*	**-**	-	**-**	-
Net financial assets/(liabilities)		**91,307**	62,601	**192,915**	285,000	**8,995**	(112,244)	**34,787**	88,534	**328,004**	323,891

[1] *All non-interest bearing balances mature in 1 year or less except for non-current balances which mature in over 1 to 5 years.*

(d) Fair values

Certain assets and liabilities of the consolidated entity 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 32

FINANCIAL RISK MANAGEMENT (Continued)

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

	Level 1		Level 2		Level 3		Total	
	2014 $000	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000
Financial assets								
Derivatives	**-**	-	**32**	52	**-**	-	**32**	52
Available for sale	**70,331**	42,056	**-**	-	**-**	-	**70,331**	42,056
	70,331	42,056	**32**	52	**-**	-	**70,363**	42,108
Financial liabilities								
Borrowings	**-**	-	**127,085**	119,953	**-**	-	**127,085**	119,953
Derivatives	**-**	-	**29,195**	14,866	**-**	-	**29,195**	14,866
	-	-	**156,280**	134,819	**-**	-	**156,280**	134,819
Net fair value	**70,331**	42,056	**(156,248)**	(134,767)	**-**	-	**(85,917)**	(92,711)

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Available-for-sale financial assets

The fair value of available-for-sale financial assets in Note 13 is determined by reference to their quoted closing price at the reporting date (Level 1).

Derivative financial instruments

The fair value of derivative financial instruments are determined using valuation techniques that maximise the use of observable market data where it is available. The consolidated entity's derivatives are not traded in active markets, however all significant inputs required to fair value an instrument are observable (Level 2).

Convertible notes

In April 2012, Beach issued A$150 million of Convertible Notes (Notes) which are convertible into Beach Ordinary Shares until March 2017. The conversion rights can be settled in cash or ordinary shares of the parent entity, at the option of the issuer, and the number of shares to be issued at conversion is subject to the conversion price which may reset under certain circumstances. Accordingly, the conversion rights are a derivative financial liability and are marked to market. The debt component of the Notes was initially fair valued at $116.7 million before transaction costs by taking expected cash outflows discounted back using an equivalent market based interest rate for a pure debt facility. The derivative liability for the conversion rights was initially recognised at the residual value of $33.3 million. Each reporting period the conversion rights are fair valued using a range of observable inputs (Level 2).

The consolidated entity did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2014 and there have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2014.

The consolidated entity 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 32

FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair values (continued)

	Asset		Liability	
2014	**Current $000**	**Non-current $000**	**Current $000**	**Non-Current $000**
OIL				
Crude floor – Brent A$65/bbl	**5**	**2**	**-**	**-**
Crude floor – Brent A$70/bbl	**6**	**19**	**-**	**-**
	11	**21**	**-**	**-**
OTHER				
Convertible note conversion rights	**-**	**-**	**(29,195)**	**-**
	11	**21**	**(29,195)**	**-**

2013				
OIL				
Crude floor – Brent A$55/bbl	4	-	-	-
Crude floor – Brent A$60/bbl	9	-	-	-
Crude floor – Brent A$65/bbl	18	21	-	-
	31	21	-	-
OTHER				
Convertible note conversion rights	-	-	-	(14,866)
	31	21	-	(14,866)

(e) Capital management

Management is responsible for managing the capital of the consolidated entity, on behalf of the Board, in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure the consolidated entity can fund its operations with secure, cost-effective and flexible sources of funding to enable it to meet all of its operating and capital expenditure requirements and continue as a going concern. The consolidated entity's debt and capital includes ordinary shares, borrowings and financial liabilities including derivatives supported by financial assets. Management effectively manages the capital of the consolidated entity by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. The responses include the management of debt levels, dividends to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital during the year. The consolidated entity's gearing ratio is 8.6% (2013: 7.4%). Gearing has been calculated as financial liabilities including borrowings, derivatives and bank guarantees as a proportion of these items plus shareholder's equity.

Note 33

EARNINGS PER SHARE

	2014 $000	2013 $000

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

	2014 $000	2013 $000
Basic earnings per share	**101,777**	153,650
After tax interest saving on convertible notes assuming conversion for the year	**4,148**	4,148
Diluted earnings per share	**105,925**	157,798

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

	2014 Number	2013 Number
Basic earnings per share	**1,279,624,315**	1,262,854,637
Convertible notes	**77,704,509**	75,860,510
Share rights	**2,858,098**	7,039,278
Diluted earnings per share	**1,360,186,922**	1,345,754,425

In accordance with AASB 133, the following potential ordinary shares were not considered dilutive during the period and so have been excluded from the calculation of diluted earnings per share:

- nil employee options as all options on issue were either exercised or lapsed during the current financial year. In the prior financial year, 7,108,977 employee options were excluded as their exericse price makes them 'out of the money' when compared to the average share price of Beach during that financial year.
- 4,668,232 share rights (2013: 4,415,309) as vesting would not have occurred based on the status of the required vesting conditions at the end of the relevant reporting period.

Since the end of the current financial year and before the completion of this report, the following ordinary shares were issued:

- 898,136 shares upon vesting of unlisted performance rights issued on 14 September 2012 (751,995) and 30 August 2013 (146,141) pursuant to the Beach Energy Limited Executive Incentive Plan.

(c) Earnings per share attributable to equity holders of Beach:

	2014 cents	2013 cents
Basic earnings per share	**7.95**	12.17
Diluted earnings per share	**7.79**	11.73

Note 34

COMMITMENTS

	Consolidated 2014 $000	Consolidated 2013 $000
(a) Capital Commitments		
The consolidated entity 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	**130,761**	73,267
Due within 1-5 years	**-**	1,548
Due later than 5 years	**-**	-
	130,761	74,815
(b) Minimum Exploration Commitments		
The consolidated entity is required to meet minimum expenditure requirements of various government regulatory bodies and joint ventures. 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	**15,320**	47,441
Due within 1-5 years	**98,415**	28,839
Due later than 5 years	**-**	-
	113,735	76,280

The group's share of the above commitments that relate to its interest in joint venture interests are $130.2 million (2013: $67.4 million) for capital commitments and $113.7 million (2013: $76.2 million) for minimum exploration commitments.

Default on permit commitments by other joint venture 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 venture party would be accompanied by a proportionate increase in the group's equity in the tenement concerned.

Note 35

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 2014 under the service agreements for the other executive officers (excluding the Managing Director) is $2,961,577 (2013: $2,954,800).

Bank guarantees

Beach has been provided with a $20 million letter of credit facility, of which $18.7m had been utilised by way of bank guarantees at 30 June 2014. Refer Note 22 for further details on the syndicated debt facility.

Parent Company Guarantees

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

Note 36

CONTINGENT ASSETS

Tipton West Contingent Payments

In April 2009, Beach announced that it had executed an agreement to sell its 40% interest in the Tipton West Joint Venture coal seam gas (CSG) asset to Arrow Energy Limited. Beach received $330 million of the expected consideration of up to $400 million with the remaining $70 million classified as contingent assets and not recognised as income to Beach in the financial year ended 30 June 2009.

The $70 million contingent payments are made up as follows:

- Up to $40 million cash for the booking of additional gross 3P gas reserves;
- $15 million cash upon gas owned by Arrow supplying any LNG project no later than 31 December 2016; and
- $15 million cash upon any LNG project producing an annualised equivalent of 1 million tonnes per annum of LNG using gas supplied from Arrow's tenements no later than 31 December 2017.

In the FY10, the group recognised a receivable for $43.2 million (of the $70 million total) for a payment due to Beach from Arrow which was received in September 2010 in relation to the sale of Beach's interest in the Tipton West Joint Venture in April 2009. No further payments have been received since that time and up to 30 June 2014. The remaining $26.8 million remains contingent on certain events occurring and so will only be booked as income when the group is of the belief that these payments are certain and can be reliably measured.

Note 37

SHARE BASED PAYMENTS

	Consolidated 2014 $000	Consolidated 2013 $000
Share Based Payments Reserve		
Opening balance	**21,078**	16,204
Expense fair value of shares/options/rights issued	**4,579**	4,883
Forfeiture of options/rights	**(5)**	(9)
Closing balance	**25,652**	21,078

Details of the issue and valuation of share rights issued to executives is included in the remuneration report.

Employee Incentive Plan

In 1997, shareholders of Beach approved an Employee Incentive Plan. The terms and conditions of this plan are disclosed in the Remuneration Report. During the financial year, shares were issued to employees pursuant to the Employee Incentive Plan. The fair value of issuing these shares has been calculated using the Binomial or Black-Scholes Option Pricing Models. The terms and conditions of shares issued during the reporting period are as follows:

Employee Shares issued during FY14

	Issued August 2013
Total fair value at grant date	$102,193
Number of securities issued	121,935
Share price	$1.364
Volatility [(1)]	44.7%
Term	10 years
Risk free rate	3.91%

Employee Shares issued during FY13

	Issued August 2012	Issued October 2012	Issued February 2013	Issued May 2013
Total fair value at grant date	$541,375	$572,386	$1,004,437	$619,763
Number of securities issued	719,605	737,125	1,211,825	841,500
Share price	$1.230	$1.320	$1.360	$1.279
Volatility [(1)]	44.6%	44.5%	44.5%	44.5%
Term	10 years	10 years	10 years	10 years
Risk free rate	3.98%	2.95%	3.35%	3.31%

[(1)] *The expected volatility is based on the historic annualised volatility (calculated based on the average remaining life of the issued security), adjusted for any expected changes to the future volatility due to publicly available information.*

Note 38

PARENT ENTITY INFORMATION

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

(a) Financial performance

	Parent	
	2014 $000	2013 $000
Net profit after tax	**74,202**	80,618
Other comprehensive income/(loss), net of tax	**12,941**	(3,325)
Total comprehensive income after tax	**87,143**	77,293
Total current assets	**1,380,983**	1,271,969
Total assets	**2,251,042**	2,013,351
Total current liabilities	**576,303**	295,764
Total liabilities	**748,192**	576,992
Issued capital	**1,239,942**	1,214,101
Share based payments reserve	**25,652**	21,078
Available-for-sale reserve	**10,152**	(2,789)
Retained earnings	**227,104**	203,969
Total equity	**1,502,850**	1,436,359

(b) Expenditure Commitments

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

Capital expenditure commitments	**12,836**	22,876
Minimum exploration commitments	**64,625**	18,337

(c) Contingent liabilities

Details of contingent liabilities for the Company in respect of service agreements, bank guarantees and parent company guarantees are disclosed in Note 35.

Note 39

SUBSEQUENT EVENTS

Lake Tanganyika South Block Farm-in

On 14 July 2014, Beach entered into an agreement to transfer 70% of its 100% interest in the Lake Tanganyika South Block, Tanzania, to a wholly owned subsidiary of Woodside Petroleum Limited (ASX: WPL). Completion of the Transaction is conditional on Tanzanian Government consents. While the detailed transaction terms remain confidential, Woodside will reimburse its share of back costs incurred by Beach; fund a further round of seismic operations over the next 12 months; and contribute to Beach's share of costs associated with an initial exploration well (subject to an agreed cap), should it elect to proceed with the program beyond the seismic operations. Beach will remain operator throughout the next stage of seismic operations, with Woodside having the option to become operator at a later date.

Carbon Tax

On 17 July 2014, the Clean Energy Legislation (Carbon Tax Repeal) Bill 2014 and 6 related Bills received Royal Assent, abolishing the carbon tax from 1 July 2014. No carbon expense or recovery will be recognised in respect of FY15 and future years.

Cooper Basin – ATP 924

On 28 July 2014, Beach executed an agreement with Drillsearch Energy Ltd (Drillsearch) to explore for oil in ATP 924 within the Cooper Basin in Queensland. The agreement is a two staged process whereby Beach will fund approximately 150 km^2 of current 3D seismic activities and drill an initial exploration well. Should Beach elect to continue beyond this initial well, it will drill a further exploration well and reimburse Drillsearch for past costs to earn its 45% interest, including other seismic operations being conducted by Drillsearch. Documentation governing the potential future joint venture has been agreed, with Drillsearch to remain operator of the permit. Beach will manage the operations of all activities associated with its wholly funded initial exploration wells. ATP 924 lies on the Northern flank of the Cooper Basin, between the existing Cook and Inland oil fields, and covers an area of approximately 2,300 km^2.

Land acquisition

In August 2014, Beach executed an Agreement with the South Australian State Government to acquire a 2.14 hectare parcel of land, adjacent its current head office corporate facilities at 25 Conyngham Street, Glenside for an acquisition cost of $7.5 million. The site includes the current Glenside State Drill Core Reference Library building, the heritage listed Z-Ward and a vacant parcel of land fronting Conyngham Street.

Other than the above matters, there has not arisen in the interval between 30 June 2014 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years, unless otherwise noted in the Financial Report.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BEACH ENERGY LIMITED

Report on the financial report

We have audited the accompanying financial report of Beach Energy Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Beach Energy Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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.

GrantThornton

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Beach Energy Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 25 August 2014

GLOSSARY OF TERMS

$	Australian dollars
1C	Contingent resource low estimate [1]
2C	Contingent resource best estimate [1]
3C	Contingent resource high estimate [1]
1P	Proved reserve estimate [1]
2P	Proved and probable reserve estimate [1]
3P	Proved, probable and possible reserve estimate [1]
ASX	Australian Securities Exchange
ATP	Authority To Prospect (QLD)
bbl	barrels
Bcf	billion cubic feet
boe	barrels of oil equivalent - the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy. For example, 1 Bcf of gas equals approximately 0.18 million boe, the exact conversion being dependent on the gas composition
bopd	barrels of oil per day
boepd	barrels of oil equivalent per day
BCG	Basin Centred Gas
Beach	Beach Energy Ltd
Bengal	Bengal Energy Ltd
Blue	Blue Energy Ltd
BMG	Basker Manta Gummy project
BP	BP Exploration (Delta) Limited
Chevron	Chevron Exploration 1 Pty Ltd
C&S	Cased and Suspended
CSG	Coal Seam Gas
capex	capital expenditure
Cooper	Cooper Energy Ltd
Co_2-e	Carbon dioxide equivalent
Dana Petroleum	Dana Petroleum plc
Dover	Dover Investments Ltd
Drillsearch	Drillsearch Energy Ltd
EGPC	Egyptian General Petroleum Corporation
DST	Drill Stem Test
EP	Exploration Permit (NT)
EPA	Environmental Protection Authority
EP(A)	Exploration Permit Application (NT)
FY	Financial Year
Gidgealpa Oil	Gidgealpa Oil Pty Ltd
GJ	Gigajoule
Icon	Icon Energy Ltd
kbbl	thousand barrels of oil
kboe	thousand barrels of oil equivalent
km	kilometre
kt	thousand tonnes
Kuwait Energy	Kuwait Energy Egypt Ltd
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalent
MMscfd	Million standard cubic feet of gas per day
NPAT	Net Profit After Tax
NTNG	Nappamerri Trough Natural Gas program
NZOG	New Zealand Oil and Gas Ltd
Origin	Origin Energy Ltd
P&A	Plugged and Abandoned
PSA	Production Sharing Agreement
PEL	Petroleum Exploration Licence (SA)
PEP	Petroleum Exploration Permit (NZ)
Petroceltic	Petroceltic International plc
Petroceltic Romania	Petroceltic Romania BV
Petromar	Petromar Resources SA
Petrotherm	Petrotherm Ltd
PL	Petroleum Lease (QLD)
PPL	Petroleum Production Licence (SA)
PJ	Petajoule
PRL	Petroleum Retention Licence (SA)
PRMS	Petroleum Resources Management System
REM	Roseneath Shale, Epsilon Formation, Murteree Shale
SACB JV	South Australian Cooper Basin Joint Venture which includes the Fixed Factor Area (Beach 20.21%, Santos 66.6%, Origin 13.19%) and the Patchawarra East Block (Beach 17.14%, Santos 72.32%, Origin 10.54%)
SACB and SWQ JVs	The Delhi operations, which incorporate the SACB JV and the SWQ JVs
Santos	Santos Ltd
Senex	Senex Energy Ltd
SPE	Society of Petroleum Engineers
Strike	Strike Energy Ltd
SWQ JVs	South West Queensland Joint Ventures, incorporating various equity interests (Beach 20-40%)
TAG Oil	TAG Oil Ltd
TOAG	Territory Oil and Gas Pty Ltd
Tcf	Trillion cubic feet
TJ	Terajoule
Tri-Ocean	Tri-Ocean Energy Company
USA	United States of America
YTD	Year to Date

[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.*

SCHEDULE OF TENEMENTS

For the financial year ended 30 June 2014

Basin	State/ Country	Beach Group Tenements	%
Cooper/ Eromanga	**Queensland**	ATP 259P (Naccowlah Block and PLs) [1]	38.5
		ATP 259P (Alkina Block)	28
		ATP 259P (Aquitaine A Block) [2]	22.5
		ATP 259P (Aquitaine B Block) [3]	20
		ATP 259P (Aquitaine C Block) [4]	25.2
		ATP 259P (Innamincka Block) [5]	30
		ATP 259P (Total 66 Block) [6]	30
		ATP 259P (Wareena Block) [7]	28.8
		PL 55 (50/40/10)	40
		PL 31 (Bodalla South Oil Field)	100
		PL 32 (Kenmore Oil Field)	100
		PL 47 (Black Stump Oil Field)	100
		PL 184 (Thylungra Gas Discovery)	80.4
		ATP 269P (Glenvale/Bargie JV and PLs) [8]	93.9
		ATP 269P (Coolum/Byrock JV and PLs) [9]	93.21
		SWQ Gas Unit [10]	23.2
		ATP 633P [11]	50
		ATP 855P	46.9
		ATP 732P [12]	50
Maryborough	**Queensland**	ATP 613P [13]	0
		ATP 674P [14]	25
		ATP 733P [14]	25
Cooper/ Eromanga	**South Australia**	PPL 204 (Sellicks Oil Field)	75
		PPL 205 (Christies Oil Field)	75
		PPL 210 (Aldinga Oil Field)	50
		Reg Sprigg West Unit	12.86
		PPL 212 (Kiana Oil Field)	40
		PPL 220 (Callawonga Oil Field)	75
		PPL 224 (Parsons Oil Field)	75
		PPL 239 (Middleton/Brownlow Fields)	50
		PPL 240 (Snatcher Oil Field)	40
		PPL 242 (Growler Oil Field)	40
		PPL 243 (Mustang Oil Field)	40
		PPL 245 (Butlers Oil Field)	75
		PPL 246 (Germein Oil Field)	75
		PPL 247 (Perlubie Oil Field)	75
		PPL 248 (Rincon Oil Field)	75
		PPL 249 (Elliston Oil Field)	75
		PPL 250 (Windmill Oil Field)	75
		PEL 87	40

Basin	State/ Country	Beach Group Tenements	%
Cooper/ Eromanga	**South Australia (continued)**	PEL 91	40
		ex PEL 92 [15]	75
		GSEL 634	75
		PEL 94	50
		PEL 95	50
		PEL 104	40
		PRL 15 (Growler Block)	40%
		PEL 106	50
		PEL 107	40
		PEL 111	40
		ex PEL 218 (Permian) [16]	70
		GSEL 633	70
		ex PEL 218 (Post Permian) [17]	43.39
		PEL 424	40
		Udacha Unit	15
		Patchawarra East [18]	17.14
		Fixed Factor Agreement [19]	20.21
		SA Unit	20.21
Otway	**South Australia**	PEL 186	66.67
		PEL 494	70
		PEL 495	70
		PPL 62 (Katnook)	100
		PPL 168 (Redman)	100
		PPL 202 (Haselgrove)	100
		PRL 1 (Wynn)	100
		PRL 2 (Limestone Ridge)	100
		PRL 13 (Killanoola Field) [20]	100
		PRL 32 (ex PEL 255)	70
		GSRL 27	100
Arrowie	**South Australia**	GEL 156	21
		GEL 254	21
Otway	**Victoria**	PPL 6 (McIntee Gas Field)	10
		PPL 9 (Lavers Gas Field)	10
		PRL 1 (Buttress North)	10
		PEP 150	50
		PEP 168	50
		PEP 171	75
Gippsland	**Victoria**	VIC L26 (Basker, Manta, Gummy)	35
		VIC L27 (Basker, Manta, Gummy)	35
		VIC L28 (Basker, Manta, Gummy)	35
Browse	**Western Australia**	WA-281-P	7.34
Carnarvon	**Western Australia**	WA-48-R (Hurricane)	10

Basin	State/ Country	Beach Group Tenements	%
Bonaparte Basin	Northern Territory	EP 126 [21]	85
		EP 138 [21]	85
		EP 135 [22]	55
		NTC/P10	55
Canterbury	New Zealand	PEP 52717	50
Taranaki	New Zealand	PEP 52181	25
Gulf of Suez	Egypt	North Shadwan-1 Development Lease (377)	20
		North Shadwan-2 Development Lease (385)	20
		North Shadwan-3 Development Lease (394)	20
		El Qa'a Plain	25
Abu Gharadig	Egypt	Abu Sennan Concession	22
		Abu Sennan-1 Development Lease	22
		Abu Sennan-2 Development Lease	22
		Al Ahmadi Development Lease	22
Mesaha	Egypt	Mesaha Graben Concession	15
Black Sea	Romania	Block Ex-27 El Muridava [23]	10
		Block Ex-28 Est Cobalcescu	30
East African Rift	Tanzania	Lake Tanganyika South	100

Notes

1. *The Naccowlah Block consists of ATP 259P (Naccowlah) and PLs 23-26, 35, 36, 62, 76-79, 82, 87, 105, 107, 109, 133, 149, 175, 181, 182, 189 and 302. Note sub-leases of PLs (gas) to SWQ Unit.*
2. *The Aquitaine A Block consists of ATP 259P (Aquitaine A) and PLs 86, 131, 146, 177, 208 and 254. Note sub-leases of part PLs (gas) to SWQ Unit.*
3. *The Aquitaine B Block consists of ATP 259P (Aquitaine B) and PLs 59 – 61, 81, 83, 85, 97, 106, 108, 111, 112, 132, 135, 139, 147, 151, 152, 155, 205 and 207. Note sub-leases of part of PLs (gas) to SWQ Unit.*
4. *The Aquitaine C Block consists of ATP 259P (Aquitaine C) and PLs 138 and 154.*
5. *The Innamincka Block consists of ATP 259P (Innamincka) and PLs 58, 80, 136, 137, 156,159 and 249. Note sub-leases of part PLs (gas) to SWQ Unit.*
6. *The Total 66 Block consists of ATP 259P (Total 66) and PLs 34, 37, 63, 68, 75, 84, 88, 110, 129, 130, 134, 140, 142 – 144, 150, 168, 178,186, 193, 241, 255 and 301. Note sub-leases of part of PLs (gas) to SWQ Unit.*
7. *The Wareena Block consists of ATP 259P (Wareena) and PLs 113, 114, 141, 145, 148, 153, 157, 158, 187, 188 and 411. Note sub-leases of part of PLs (gas) to SWQ Unit.*
8. *The Glenvale/Bargie Joint Venture consists of ATP 269P and PL 256 and production from the Glenvale Well located within PL 483.*
9. *The Coolum/Byrock Joint Venture consists of ATP 269P and PLs 482, 483 and 484 (excluding production from the Glenvale Well. Beach holds a 65.62% interest and Mawson a 27.59% interest, subject to completion of assignment documentation and regulatory approval.*
10. *The SWQ Gas Unit consists of subleases of PLs within the gas production area of Naccowlah Block, Aquitaine A Block, Aquitaine B Block, Innamincka Block, Wareena Block and Total 66 Block.*
11. *Registered interest is 100%. Assignment of 50% subject to completion of assignment documentation and regulatory approval.*
12. *Subject to regulatory approval.*
13. *Assignment to Beach of 100% subject to regulatory approval. Further sale of 100% interest by Beach, subject to completion of assignment documentation.*
14. *Sale of interest, subject to completion of assignment documentation and regulatory approval.*
15. *ex PEL 92 consists of PRLs 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103 and 104.*
16. *ex PEL 218 (Permian) consists of Permian section of PRLs 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48 and 49.*
17. *ex PEL 218 (Post Permain) consists of Post Permian section of PRLs 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48 and 49. Registered interest is 66.67%. Assignment of 23.28% subject to completion of assignment documentation and regulatory approval.*
18. *Patchawarra East consists of PPLs 26, 76, 77, 118, 121 -123, 125, 131, 136, 147, 152, 156, 158, 167, 182, 187, 194, 201 and 229.*
19. *The Fixed Factor Agreement consists of PPLs 6 – 20, 22 - 25, 27, 29 - 33, 35 - 48, 51 - 61, 63 - 70, 72 - 75, 78 - 81, 83, 84, 86 - 92, 94, 95, 98 - 111, 113 - 117, 119, 120, 124, 126 - 130, 132 - 135, 137 - 140, 143 - 146, 148 - 151, 153 - 155, 159 - 166, 172, 174 - 180, 189, 190, 193, 195, 196, 228 and 230 - 238.*
20. *Sale of interest subject to regulatory approval.*
21. *Up to 90% can be earned, determined by farmin expenditure.*
22. *Up to 55% can be earned, determined by farmin expenditure.*
23. *The assignment is subject to approval of the Romanian authorities.*

Tenements Acquired

PPL 245 (Butlers Oil Field), PPL 246 (Germein Oil Field), PPL 247 (Perlubie Oil Field), PPL 248 (Rincon Oil Field), PPL 249 (Elliston Oil Field), PPL 250 (Windmill Oil Field), Block Ex-27, North Shadwan 394 Development Lease, El Qa'a Plain, PRL 33, PRL 34, PRL 35, PRL 36, PRL 37, PRL 38, PRL 39, PRL 40, PRL 41, PRL 42, PRL 43, PRL 44, PRL 45, PRL 46, PRL 47, PRL 48, PRL 49, GSEL 633, GSEL 634, PL 256, PL 482, PL 483, PL 484, PRL 85, PRL 86, PRL 87, PRL 88, PRL 89, PRL 90, PRL 91, PRL 92, PRL 93, PRL 94, PRL 95, PRL 96, PRL 97, PRL 98, PRL 99, PRL 100, PRL 101, PRL 102, PRL 103, PRL 104, T/49P

Tenements Divested

ATP 849, ATP 904, ATP 674, ATP 733, WA-411-P, WA-41-R (Corowa), Section 25-T150N-R95W, Section 26-T150N-R95W, Section 35-T150N-R95W, PEL 218*, PEL 92**

* *Replaced by Petroleum Retention Licences PRLs 33 – 49, effective 29 April 2014*

** Replaced by Petroleum Retention Licences PRLs 85 – 104, effective 6 June 2014

SHAREHOLDER INFORMATION

Beach Energy Limited

Share details – Distribution as at 30 September 2014

Range of shares	Number of shareholders Fully paid ordinary shares
1 – 1,000	5,068
1,001 – 5,000	8,020
5,001 – 10,000	4,348
10,001 – 100,000	6,464
100,001 and over	462
Total	24,362
Shareholders with non-marketable parcels	2,383

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

Twenty largest shareholders as at 30 September 2014

Rank		Fully paid ordinary shares Number	%
1.	HSBC Custody Nominees (Australia) Limited	335,625,209	25.87
2.	J P Morgan Nominees Australia Limited	294,415,250	22.69
3.	National Nominees Limited	125,815,529	9.70
4.	Citicorp Nominees Pty Limited	80,000,386	6.17
5.	BNP Paribas Noms Pty Ltd <DRP>	29,133,188	2.25
6.	Citicorp Nominees Pty Limited <BHP Billiton ADR holders A/C>	18,854,100	1.45
7.	AMP Life Limited	13,973,954	1.08
8.	HSBC Custody Nominees (Australia) Limited - A/C 2	7,543,942	0.58
9.	Network Investment Holdings Pty Ltd	7,000,000	0.54
10.	QIC Limited	5,055,609	0.39
11.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	4,650,018	0.36
12.	HSBC Custody Nominees (Australia) Limited - GSCO ECA	3,594,419	0.28
13.	Mr Reginald George Nelson	3,332,578	0.26
14.	National Nominees Limited <DB A/C>	2,700,899	0.21
15.	HSBC Custody Nominees (Australia) Limited - A/C 3	2,504,819	0.19
16.	Bond Street Custodians Limited <MPPMIM - V16636 A/C>	2,464,389	0.19
17.	Merrill Lynch (Australia) Nominees Pty Limited	2,228,979	0.17
18.	Netwealth Investments Limited <Wrap Services A/C>	2,174,887	0.17
19.	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	2,107,325	0.16
20.	Nimitz Entrepot Nominees Pty Ltd <Accumulation A/C>	2,090,724	0.16
TOTAL: Top 20 holders of FULLY PAID ORDINARY SHARES		**945,266,204**	**72.85**
Total: Remaining Holders Balance		352,230,682	27.15
Total		**1,297,496,886**	**100.0**

Corporate directory

Chairman

Glenn Stuart Davis
LLB, BEc, FAICD
Non-Executive

Directors

Reginald George Nelson
BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD
Managing Director

John Charles Butler
FCPA, FAICD, FIFS
Non-Executive

Belinda Charlotte Robinson
BA, MEnv Law, MAICD
Non-Executive

Fiona Rosalyn Vivienne Bennett
BA (Hons) FCA, FAICD, FAIM
Non-Executive

Douglas Arthur Schwebel
PhD B.Sc (Hons) (Geology)
Non-Executive

Company Secretaries

Kathryn Anne Presser
BA (Acc), Grad Dip CSP, FAICD, FCPA, FGIA, FCIS, AFAIM
Chief Financial Officer, Company Secretary and Executive Vice-President Corporate Services

Catherine Louise Oster
BA (Jurisprudence),
LLM (Corporate & Commercial), FCIS
General Counsel, Joint Company Secretary and Executive Vice-President Sustainability

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

Grant Thornton South Australian Partnership
Level 1, 67 Greenhill Rd
WAYVILLE SA 5034

Securities Exchange Listing

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

Beach Energy Limited convertible notes are listed on the Singapore Securities Exchange (SGX)

Beach Energy Limited

ACN 007 617 969
ABN 20 007 617 969

Website

www.beachenergy.com.au