BEACH ENERGY

Full-Year Report

Incorporating
Appendix 4E

Preliminary Final Report under ASX Listing Rule 4.3A
for the period ended 30 June 2014.
This report is based on financial statements which
have been audited.

delivering tomorrow's energy

Full–Year Report Incorporating Appendix 4E

Beach Energy Limited

ABN 20 007 617 969

Preliminary Final Report under ASX Listing Rule 4.3A for the year ended 30 June 2014. This report is based on financial statements which have been audited.

CONTENTS

ABOUT BEACH

Beach Energy Limited (Beach) was established in the early 1960s by the late Dr. Reg Sprigg, a highly regarded Australian oilman, geologist, explorer and conservationist.

It is an innovative oil and gas company where people and safety come first.

Beach has been growing its assets steadily through its 50 year history and is now recognised as the largest net oil producer in the Cooper Basin.

Beach holds interests in more than 300 exploration and production tenements in Australia, Egypt, Tanzania, Romania and New Zealand. Beach continues to seek additional domestic and international opportunities.

APPENDIX 4E

Preliminary Final Annual Report for the year ended 30 June 2014 (Rule 4.3A)

Results for announcement to the market

Previous corresponding period – 30 June 2013

		Percentage Change %		Amount $'000
Revenues from ordinary activities	UP	51%	to	**1,057,724**
Net profit after tax	DOWN	34%	to	**101,777**
Profit from ordinary activities after tax attributable to members	DOWN	34%	to	**101,777**
Profit for the period attributable to members	DOWN	34%	to	**101,777**

Dividends	Amount per security	Franked amount per security at 30% tax
Interim dividend (fully franked)	**1.00 cent**	1.00 cent
Special dividend (fully franked)	**1.00 cent**	1.00 cent
Final dividend (fully franked)	**2.00 cents**	2.00 cents
Record date for determining entitlements to the final dividend	**5 September 2014**	–
Payment date for final dividend	**26 September 2014**	–

None of these dividends are foreign sourced

Competent Persons Statement

The reserves and resources information in this presentation 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 presentation has been issued with the prior written consent of Mr Lake in the form and context in which it appears.

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	**$1.45**	$1.41

Change in ownership of controlled entities

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

Dividends

	Current Period $million	Previous Corresponding Period $million
Ordinary Securities	**$51.067**	$28.341

None of these dividends are foreign sourced.

Discount Rate for Dividend Reinvestment Plan (DRP)	2.5%
Last election date for participation in the DRP	5 September 2014
Record date	5 September 2014
Period over which share price for DRP will be determined	5 trading day period will commence on Wednesday 10 September 2014 and end after Tuesday 16 September 2014
Date of payment	26 September 2014

Dividend Reinvestment Plan

Beach has established a Dividend Reinvestment Plan, details of which are available on Beach's website at www.beachenergy.com.au.

FULL FINANCIAL REPORT

INCORPORATING

DIRECTORS' REPORT
REMUNERATION REPORT
FULL FINANCIAL STATEMENTS

Directors' 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:

Shares 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.

Directors' Report

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.
- 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

<u>Delhi</u>
The Delhi operations incorporate the South Australian Cooper Basin Joint Venture (SACB JV) (Beach 20.21%, Santos Ltd 66.6%, Origin Energy Ltd 13.19%) and the South West Queensland Joint Ventures (SWQ JVs) (Beach 20-40%). 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.

<u>Western Flank</u>
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.

<u>PEL 91 (Beach 40% and operator, Drillsearch Energy Ltd 60%)</u>
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.

<u>PRLs 85-104 (Beach 75% and operator, Cooper Energy Ltd 25%)</u>
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).

<u>PEL 104 and 111 (Beach 40%, Senex Energy Ltd 60% and operator)</u>
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.

<u>PEL 106 (Beach 50% and operator, Drillsearch Energy Ltd 50%)</u>
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.

Directors' Report

Review and Results of Operations (continued)

Cooper Basin (continued)

Nappamerri Trough Natural Gas
PRLs 33-49 (Beach 70% and operator, Chevron 30%) and ATP 855 (Beach 46.9% and operator, Chevron 18%, Icon Energy Ltd 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%
Dividends announced	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	Change
Financial position				
Net assets	$000	1,870,773	1,782,506	5%
Cash balance	$000	411,307	347,601	18%

Directors' Report

Review and Results of Operations (continued)

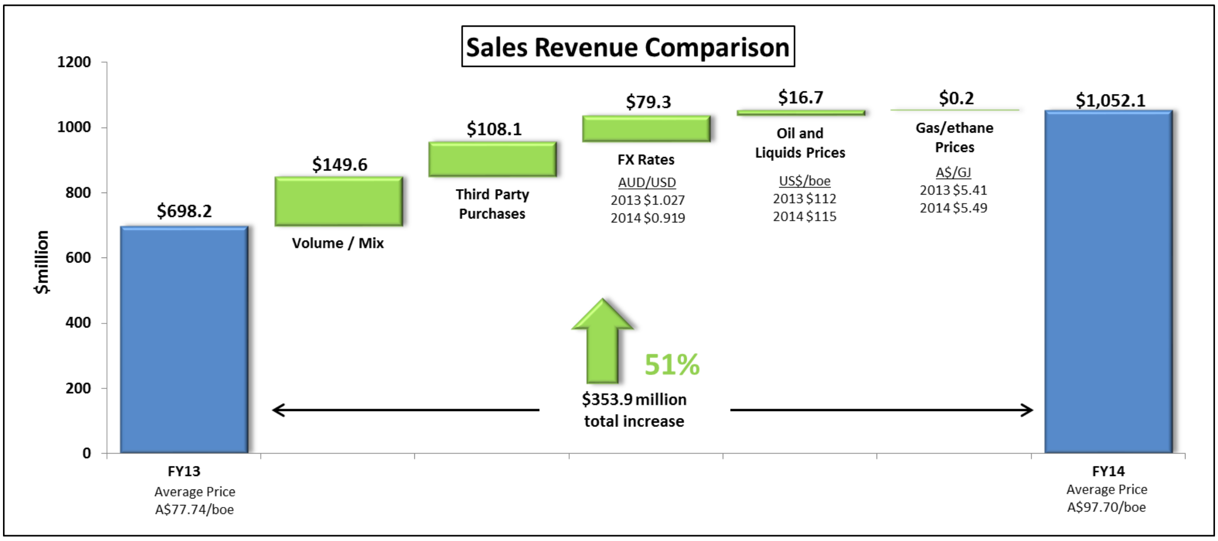
Summary of Financial results

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.



Directors' Report

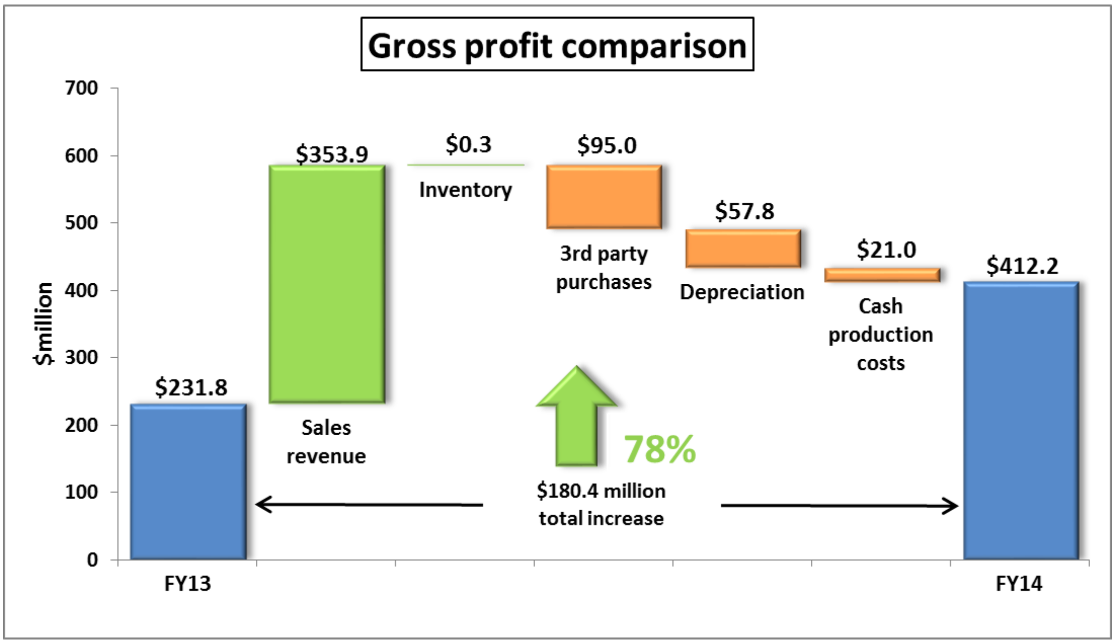
Review and Results of Operations (continued)

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 below, 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.

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.

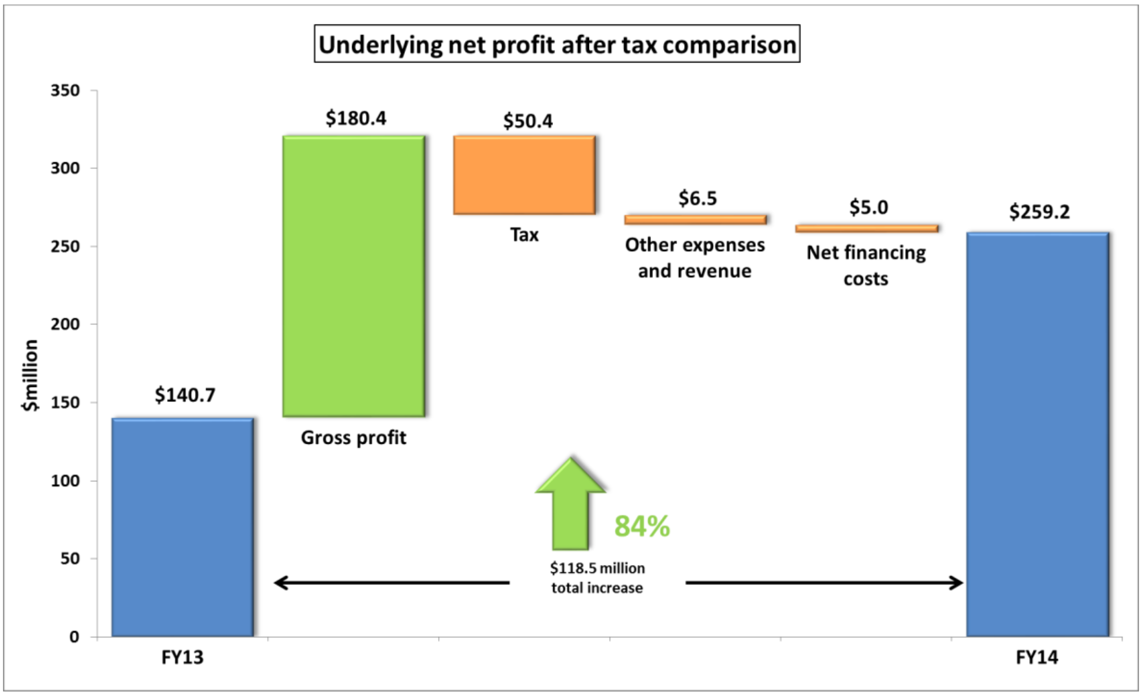
Directors' Report

Review and Results of Operations (continued)

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.

Comparison of underlying profit	FY 14 $000	FY 13 $000	Movement from PCP $000	
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%



Directors' Report

Review and Results of Operations (continued)

Financial Position

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.

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).

Directors' Report

Review and Results of Operations (continued)

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 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 km2 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 km2.

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.

Directors' 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

Delhi

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 stimulated 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.

Directors' Report

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.

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)	-

Directors' Report

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.

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

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*

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.

Directors' Report

Information on Directors

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 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.

Directors' Report

Information on Directors

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.

Directors' Report

Information on Directors

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' Report

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	
	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.

Directors' Report

Company Secretaries

Kathryn Anne Presser

Chief Financial Officer and Joint 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*.

Directors' Report

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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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

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.

Remuneration Report

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 alignsthe 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	Committee Chairman
G S Davis	
F R V Bennett	

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.

Remuneration Report

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 Report

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
Name	**%**	**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 the legislated increase in the guarantee superannuation contribution that took effect on 1 July 2013.

Remuneration Report

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

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.

Remuneration Report

Short Term Incentive (STI) (continued)

	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.

Remuneration Report

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.

Remuneration Report

STI Performance for the year (continued)

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*

Remuneration Report

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.
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.

Remuneration Report

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 December 2013 **2012 Rights** 21 December 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

Remuneration Report

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 and Queensland Gas Company 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	
Linc Energy 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

Remuneration Report

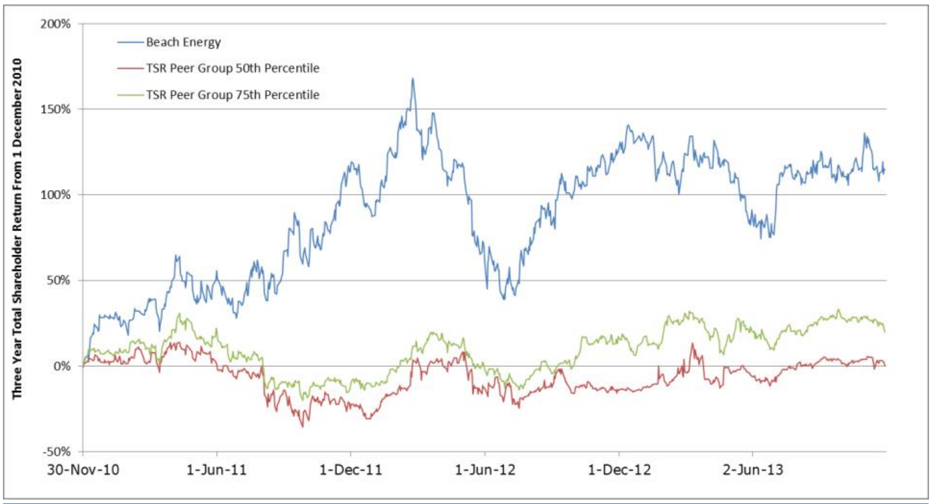
Table 8: Details of LTI performance options and rights at 30 June 2014

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 Options	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 November 2013	*Vested and expired November 2013*	*Forfeited*	*Vested*	*Vested*	*To be tested in December 2014*	*To be tested in December 2015*	*To be tested in December 2016*

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).



Remuneration Report

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.

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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

	Short Term Employee Benefits		Share based payments		Other long term benefits			
Name & Year	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

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(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 below:

	Maximum STI payable		Total
Name	**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%

(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.

(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 on the following page 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.

Remuneration Report

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.*

Remuneration Report

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.

Remuneration Report

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

Beach	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.*

Remuneration Report

11. Other Remuneration disclosures required

Table 13: 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 shares 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**	**-**	-

Remuneration Report

Movement in shares held in Beach Energy Limited	Shares	Employee Options	Rights
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**	**-**	**-**
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**

Remuneration Report

Movement in shares held in Beach Energy Limited	Shares	Employee Options	Rights
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**
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

Remuneration Report

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**	
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**	

Remuneration Report

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
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**	
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 47 to 96 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

Consolidated Statement of Profit or Loss

For the financial year ended 30 June 2014

	Note	Consolidated 2014 $000	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	2013
		$000	$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	2013
		$000	$000
Current assets			
Cash and cash equivalents	30	**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	$000 Issued Capital (Note 24)	$000 Retained Earnings	$000 Reserves (Note 25)	$000 Total
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	Consolidated 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 report 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 report 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 report is presented in Australian dollars. The following is a summary of the significant policies adopted in the preparation of the financial report. These policies have been consistently applied to all the financial years presented, unless otherwise stated. The financial report 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.

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 (CONTINUED)

- 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.

- 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).

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 (CONTINUED)

(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.

(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

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 (CONTINUED)

(d) **Petroleum assets and plant and equipment (continued):**

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.
- **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.

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 (CONTINUED)

(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.

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.

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 (CONTINUED)

(j) **Employee benefits (continued)**:

(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.

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 (CONTINUED)

(m) **Tax (continued):**

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.

(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.

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 (CONTINUED)

(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.

(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).

<u>Transactions and balances</u>

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.

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 (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.

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 (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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

Note 2

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

(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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

Note 2

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

	Consolidated	
	2014	2013
	$000	$000

Note 3

REVENUE AND OTHER INCOME

	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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated 2014 $000	Consolidated 2013 $000
Note 5		
INCOME TAX EXPENSE		
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 2013 $000	Recognised through acquisition $000	Recognised in income $000	Recognised in equity $000	Balance 30 June 2014 $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)**

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

Note 5

INCOME TAX EXPENSE (CONTINUED)

Movement in temporary differences during the previous financial year

Consolidated entity	Balance 1 July 2012	Recognised through acquisition	Recognised in income	Recognised in equity	Balance 30 June 2013
	$000	$000	$000	$000	$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		
	Before tax amount	**Tax benefit**	**Net of tax amount**	Before tax amount	Tax (expense)	Net of tax amount
Consolidated entity	**$000**	**$000**	**$000**	$000	$000	$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

	Consolidated	
	2014 $000	2013 $000

Note 6

DIVIDENDS

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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated	
	2014	2013
	$000	$000

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

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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated 2014 $000	Consolidated 2013 $000

Note 11

DERIVATIVE FINANCIAL INSTRUMENTS

	2014 $000	2013 $000
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

	2014 $000	2013 $000
Prepayments	**7,894**	6,417

Note 13

AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 $000	2013 $000
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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated 2014 $000	2013 $000
Note 14		
PROPERTY, PLANT AND EQUIPMENT		
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).*

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated 2014 $000	2013 $000

Note 15

PETROLEUM ASSETS

	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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated	
	2014	2013
	$000	$000

Note 17

DEFERRED TAX ASSETS

	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

	2014 $000	2013 $000
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

	2014 $000	2013 $000
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

	2014 $000	2013 $000
Trade payables	**149,844**	120,673
Other payables	**10,208**	6,416
Total trade and other payables	**160,052**	127,089

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated 2014 $000	Consolidated 2013 $000
Note 20		
PROVISIONS		
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 $000	Total Restoration $000	Take or Pay Gas contracts $000	Directors Retirement $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 outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated	
	2014 $000	2013 $000

Note 21

CURRENT TAX LIABILITIES

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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

Note 24

ISSUED CAPITAL (CONTINUED)

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.

(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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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.*

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 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
PEL92	Oil production	**75.0**	75.0
PEL104	Oil production	**40.0**	40.0
PEL106	Gas exploration	**50.0**	50.0
PEL218 (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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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:

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

Note 29

SEGMENT INFORMATION (CONTINUED)

	Cooper		Other Australia		International		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$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		Other Australia		International		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	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		Other Australia		International		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	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	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated 2014 $000	2013 $000

Note 30

CASH FLOW INFORMATION

(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:

	2014 $000	2013 $000
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:

	2014 $000	2013 $000
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).

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

Note 31

DEED OF CROSS GUARANTEE (CONTINUED)

	Closed Group	
	2014	2013
	$000	$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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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 currency hedge book.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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.

<u>Sensitivity analysis - changes in US$ oil price</u>
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 commodity hedge book.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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 $000	2013 $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 interest rate 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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	2014 $000	2013 $000

Note 33

EARNINGS PER SHARE

(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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

	Consolidated	
	2014	2013
	$000	$000

Note 34

COMMITMENTS

(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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

Note 37

SHARE BASED PAYMENTS

	Consolidated	
	2014	2013
	$000	$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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2014

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 km2 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 km2.

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.

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.

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

Corporate Information

Annual meeting

The annual meeting will be held as follows:	
Place	ADELAIDE CONVENTION CENTRE NORTH TCE, ADELAIDE SA 5000
Date	THURSDAY 27 NOVEMBER 2014
Time	10.30 AM
Approximate date the Annual Report will be available	24 OCTOBER 2014

Corporate Directory

Chairman

Glenn Stuart Davis
LLB, BEc
Non-Executive

Directors

Reginald George Nelson
BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD
Managing Director

Fiona Rosalyn Vivienne Bennett
BA(Hons) FCA,FAICD, FAIM
Non-Executive

John Charles Butler
FCPA, FAICD, FIFS
Lead Independent Non-Executive

Belinda Charlotte Robinson
BA, MEnv Law, GAICD
Non-Executive

Douglas Arthur Schwebel
PhD B. Sc (Hons) (Geology)
Non-Executive

Company Secretaries

Catherine Louise Oster
BA (Jurisprudence), LLM (Corporate & Commercial), FGIA, FCIS
General Counsel and
Joint Company Secretary

Kathryn Anne Presser
BA(Acc), Grad Dip CSP, FAICD, FCPA, FGIA, FCIS, AFAIM
Chief Financial Officer and Joint
Company Secretary

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 Australian Securities Exchange Limited
(ASX Code: Shares: BPT)
91 King William Street
ADELAIDE SA 5000

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