BEACH ENERGY

Full Year Report

Incorporating Appendix 4E

Preliminary Final Report under ASX Listing Rule 4.3A for the period ended 30 June 2015.
This report is based on financial statements which have been audited.

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 2015. 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, Tanzania, and New Zealand. Beach continues to seek additional Australian and nearby opportunities.

APPENDIX 4E

Preliminary Final Annual Report for the year ended 30 June 2015 (Rule 4.3A)

Results for announcement to the market

Previous corresponding period – 30 June 2014

		Percentage Change %		Amount $million
Revenues from ordinary activities	DOWN	30%	to	**735.5**
Net profit/(loss) from ordinary activities after tax (NPAT) attributable to members	DOWN	605%	to	**(514.1)**
NPAT for the period attributable to members	DOWN	605%	to	**(514.1)**
Underlying NPAT *	DOWN	65%	to	**90.7**

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

Dividends	Amount per security	Franked amount per security at 30% tax
Interim dividend (fully franked)	**1.00 cent**	1.00 cent
Final dividend (fully franked)	**0.50 cents**	0.50 cents
Record date for determining entitlements to the final dividend	**4 September 2015**	–
Payment date for final dividend	**25 September 2015**	–

None of these dividends are foreign sourced. The final dividend will be paid from the profit distribution reserve.

Competent Persons Statement

The reserves and resources information in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Tony Lake (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 report has been issued with the prior written consent of Mr Lake in the form and context in which it appears.

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	**$1.04**	$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	**$38.9**	$51.0

None of these dividends are foreign sourced.

Discount Rate for Dividend Reinvestment Plan (DRP)	2.5%
Last election date for participation in the DRP	7 September 2015
Record date	4 September 2015
Period over which share price for DRP will be determined	5 trading day period will commence on Wednesday 9 September 2015 and end after Tuesday 15 September 2015
Date of payment	25 September 2015

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 2015 (FY15). 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 2015 and up to the date of this report are:

Surname	Other Names	Position
Davis	Glenn Stuart	Non-Executive Chairman
Cole	Robert James	Managing Director (1)
Nelson	Reginald George	Managing Director (2)
Beckett	Colin David	Non-Executive Director (3)
Bennett	Fiona Rosalyn Vivienne	Non-Executive Director
Butler	John Charles	Non-Executive Lead Independent Director (4)
Robinson	Belinda Charlotte	Non-Executive Director
Schwebel	Douglas Arthur	Non-Executive Director

(1) Appointed Managing Director from 10 March 2015
(2) Managing Director until 9 March 2015 and appointed as Special Advisor to the Board from 10 March 2015 until retirement on 1 July 2015
(3) Appointed Non-Executive Director from 2 April 2015
(4) Appointed Lead Independent Director from 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	122,139 (2)	-
R J Cole	-	-
C D Beckett	31,929 (1)	-
F R V Bennett	30,075 (2)	-
J C Butler	167,393 (1)	-
B C Robinson	15,663 (1)	-
D A Schwebel	74,860 (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 Group (comprising Beach and its subsidiaries) continue to be oil and gas exploration, development and production and investment in the resources industry.

Operating and Financial Review

A review of Group operations and results of those operations is summarised below.

- Beach produced 9.15 million barrels of oil equivalent (MMboe), 51% of which was oil and 49% gas and gas liquids.
- Total oil production was 4.6 million barrels (MMbbl), down 11% from record levels in FY14. This reduction was mainly due to natural field decline, partially offset by successful drilling campaigns and infrastructure upgrades.
- Gas and gas liquids production was 4.5 MMboe, up 3% from FY14, mainly due to increased well head capacity.
- A total of 122 wells were completed with an overall success rate of 88%. Exploration wells accounted for 17% of total wells drilled, with a success rate of 52%, and appraisal wells accounted for 17% of total wells drilled, with a success rate of 81%.
- Beach continues to be the largest onshore oil producer in Australia, with a major gas business.

Cooper Basin

Delhi

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 gas liquids production of 4.2 MMboe was up 7% from FY14, mainly due to increased well head capacity. Net oil production of 0.9 MMbbl was down 8% from FY14, mainly due to natural field decline. The gas development program on the South Australian side of the Cooper Basin completed, having focused on closely spaced infill drilling in the Cowralli, Moomba North and Big Lake fields. A three-well unconventional gas program in the Gaschnitz Field was also completed. Following these programs, drilling campaigns are being undertaken in more geographically widespread fields, with liquids-rich fields in South Australia and low CO_2 content fields in Queensland of particular focus.

Western Flank

Strong oil production from Beach's operated and non-operated permits continued during FY15, driven by infrastructure upgrades, new wells coming online and successful drilling campaigns, including two Bauer Field pad development well campaigns. Average gross Western Flank daily production was 19,875 barrels of oil per day (bopd), with the Lycium hub to Moomba trunkline operating at full capacity of 19,500 bopd. Excess production was trucked to Moomba. Net production from the Western Flank was 3.4 MMbbl, or 9,389 bopd.

Ex PEL 91 (Beach 40% and operator, Drillsearch Energy Ltd 60%)

Gross oil production of 4.1 MMbbl (1.6 MMbbl net) was down 11% from FY14, with average daily gross production of 11,263 bopd (4,505 bopd net). Natural field decline was partly offset by continued strong performance of the Bauer Field. A 10-well development campaign was completed in the Bauer Field, which included two four-well pad drilling campaigns. Results from the program exceeded pre-drill estimates and added 2.5 MMbbl of net 2P reserves. A Bauer facility upgrade was completed, which increased water handling capacity from 50,000 barrels of fluid per day (bfpd) to 75,000 bfpd. Exploration discoveries were made at Balgowan-1 and Burners-1, with the former confirming a north-eastern extension of the oil fairway. The joint venture was granted Petroleum Retention Licenses 151 to 172 over the former PEL 91 permit, which secures tenure over this area for up to 15 years.

Ex PEL 92 (Beach 75% and operator, Cooper Energy Ltd 25%)

Gross oil production of 1.5 MMbbl (1.1 MMbbl net) was down 26% from FY14, with average daily gross production of 4,110 bopd (3,083 bopd net). Lower production was mainly due to natural field decline, but partially mitigated by installation of additional flowlines and a separator cleaning campaign, both completed late in the financial year. A two-well development and appraisal campaign was undertaken in the Callawonga Field, with both wells cased and suspended.

Ex PEL 104 and 111 (Beach 40%, Senex Energy Ltd 60% and operator)

Gross oil production of 1.6 MMbbl (0.7 MMbbl net) was up 4% from FY14, with average daily gross production of 4,502 bopd (1,801 bopd net). Natural field decline was offset by stronger than expected production from the Spitfire Field and the Martlet-1 exploration well coming online. Discovery of the Martlet Field represented the first Namur Sandstone oil discovery in the permit, which provides another primary target to the proven Birkhead Formation oil play. The Martlet North-1 exploration well was also cased and suspended as a future Namur Sandstone oil producer. The joint venture was granted Petroleum Retention Licences 136 to 150 over the former PEL 104 and 111 permits, which secures tenure over this area for up to 15 years.

Operating and Financial Review

Ex PEL 106 (Beach 50% and operator, Drillsearch Energy Ltd 50%)
Gross gas and gas liquids production of 0.7 MMboe (0.3 MMboe net) was down 30% from FY14, with average daily gross production of 1,794 boepd (897 boepd net). The decline in production was mainly attributable to natural field decline. A five-well exploration and appraisal campaign was completed in the permit, with the Ralgnal-1 exploration well and Canunda-2 appraisal well cased and suspended as future producers. The joint venture was granted Petroleum Retention Licences 129 and 130 over the former PEL 106 permit, which secures tenure over this area for up to 15 years.

Nappamerri Trough Natural Gas (PRLs 33 to 49 (Beach 100%) and ATP 855 (Beach 64.9% and operator, Icon Energy Ltd 35.1%))
Four wells in ATP 855 and one well in PRL 37 were fractured stimulated, marking the end of the Stage 1 exploration work programs in both permits. All Stage 1 technical objectives were met. Following completion of Stage 1, joint venture partner Chevron Exploration Australia 1 Pty Ltd advised that it would not participate in Stage 2 of the work program, and its equity interests returned to Beach for nil consideration. At financial year end, Beach was completing its Stage 1 technical review, after which a scope of work for Stage 2 will be determined, and a farm-down process commenced to identify a suitable joint venture partner.

International

In Egypt, gross production of 1.5 MMboe (142 kboe net entitlement) was up 129% from FY14, with average daily gross production of 4,158 boepd (388 boepd net entitlement). Higher production was attributable to a number of exploration and appraisal wells brought online in the Abu Sennan concession, as well as commissioning of the gas pipeline from the El Salmiya Field. The pipeline has alleviated production constraints previously encountered due to gas flaring restrictions. Subsequent to financial year end, Beach entered into a binding agreement to sell its Egyptian assets (refer Matters arising subsequent to the end of the financial year).

In Tanzania, 2D seismic survey acquisition, processing and interpretation was completed, with an onshore drilling opportunity identified. Joint venture partner, Woodside Tanzania Ltd, advised it would not enter into the next period of the exploration program. Beach has preserved its right to proceed into the next exploration period, with a farm-down process to identify a suitable partner having commenced.

Reserves and resources

Beach's reserves and contingent resources as at 30 June 2015 are summarised in the tables below. Key movements relative to 30 June 2014 include reductions due to production, an increase in Bauer Field reserves due to development drilling, a downward revision to Delhi reserves following internal assessment and external review, and an increase in contingent resources relating to the Nappamerri Trough Natural Gas project. Further information is detailed in Beach's announcement of 21 August 2015. No new information has subsequently come to hand which would materially alter these estimates or underlying assumptions.

Reserves (Net)	1P	2P	3P
Oil (MMbbl)	8.0	19.4	39.3
Gas and gas liquids (MMboe)	24.4	55.0	105.5
Total (MMboe)	**32.4**	**74.4**	**144.8**

NB. All reserve and resource figures are quoted net of fuel; due to rounding, numbers presented may not add precisely to totals provided

Operating and Financial Review

Contingent resources (Net)	2C
Oil (MMbbl)	12.9
Conventional gas and gas liquids (MMboe)	75.2
Unconventional gas and gas liquids (MMboe)	588.6
Total (MMboe)	**676.6**

Developed and undeveloped reserves	Developed			Undeveloped		
(Net)	1P	2P	3P	1P	2P	3P
Oil (MMbbl)	6.5	14.6	28.8	1.5	4.8	10.5
Gas and gas liquids (MMboe)	14.3	35.1	63.8	10.1	19.9	41.6
Total (MMboe)	**20.8**	**49.6**	**92.6**	**11.6**	**24.7**	**52.2**

2P reserves		Oil equivalent (MMboe)				Oil	Gas liquids	Gas
(Net)	Note	FY14	Production	Revisions	FY15	(MMbbl)	(MMboe)	(PJ)
Ex PEL 91	1	5.4	(1.6)	2.0	**5.8**	5.8	-	-
Ex PEL 92	2	2.9	(1.1)	0.7	**2.5**	2.5	-	-
Ex PEL 111	3	0.2	(0.1)	0.1	**0.2**	0.2	-	-
Ex PEL 104	4	1.0	(0.5)	0.7	**1.2**	1.2	-	-
BPT Qld	5	0.5	(0.2)	0.1	**0.4**	0.4	-	-
Ex PEL 106	6	2.0	(0.3)	0.5	**2.2**	-	0.6	9.1
Delhi	7	71.9	(5.1)	(7.9)	**58.9**	6.3	7.9	260.1
Cooper / Eromanga		**83.9**	**(9.0)**	**(3.6)**	**71.3**	**16.5**	**8.5**	**269.2**
Egypt	8	1.7	(0.1)	1.6	**3.1**	2.9	-	1.3
Total		**85.6**	**(9.1)**	**(2.0)**	**74.4**	**19.4**	**8.5**	**270.5**

1. Beach equity interest: 40%; production retention licences (PRL) 151 to 172 granted; probabilistic methodology applied, except for Chiton Field (deterministic methodology applied)
2. Beach equity interest: 75%; PRL 85 to 104 granted; deterministic methodology applied, except for Rincon Field (probabilistic methodology applied)
3. Beach equity interest: 40%; PRL 142 to 150 granted; deterministic methodology applied
4. Beach equity interest: 40%; PRL 136 to 141 granted; deterministic methodology applied
5. Beach equity interest: 100%; deterministic methodology applied
6. Beach equity interest: 50%; PRL 129 and 130 granted; deterministic methodology applied
7. Beach equity interests: SACB JV – 20.21% and SWQ JVs – 20-40%; deterministic methodology applied
8. Beach equity interest: 22%; ; probabilistic methodology applied; Beach has entered into a binding agreement with Rockhopper Exploration plc in relation to the sale of its wholly owned subsidiary, Beach Petroleum (Egypt) Pty Ltd. Further details of the transaction are included in Beach's announcement of 10 August 2015 (reference 042/15).

Operating and Financial Review

	FY15 $million	FY14 $million
Group profit/(loss) attributable to equity holders of Beach	**(514.1)**	101.8

The key FY15 financial highlights are summarised below.

- Sales revenue was down 31% from FY14 to $728 million due to lower oil prices and oil sales volumes. This reduction in sales revenue was partly offset by a lower average AUD/USD exchange rate, whilst maintaining steady total sales volumes.
- Cost of sales, were down 12% from FY14, to $563 million, mainly as a result of lower third party purchases, lower royalties from the fall in the oil price and the repeal of the carbon tax.
- A net loss after tax of $514 million was reported, as non-cash impairment charges of $789 million offset strong underlying operating performance.
- Other expenses were $828 million, $620 million higher than FY14, mainly due to asset impairments for the Cooper Basin ($583 million), Egypt ($174 million) and Romania ($32 million).

KEY FINANCIAL RESULTS				
		FY15	**FY14**	**Change**
Income				
Sales revenue	**$m**	**727.7**	1,052.1	**(31)%**
Total revenue	**$m**	**735.5**	1,057.7	**(30)%**
Cost of sales	**$m**	**(562.5)**	(639.9)	**12%**
Gross profit	**$m**	**165.2**	412.2	**(60)%**
Other income	**$m**	**6.7**	19.5	**(66)%**
Net profit/(loss) after tax (NPAT)	**$m**	**(514.1)**	101.8	**(605)%**
Underlying NPAT	**$m**	**90.7**	259.2	**(65)%**
Dividends paid	**cps**	**3.00**	4.00	**(25)%**
Dividends announced	**cps**	**0.50**	2.00	**(75)%**
Basic EPS	**cps**	**(39.64)**	7.95	**(598)%**
Underlying EPS	**cps**	**6.99**	20.26	**(65)%**
Cash flows				
Operating cash flow	**$m**	**228.5**	582.6	**(61)%**
Investing cash flow	**$m**	**(442.3)**	(491.6)	**10%**
		As at 30 June 2015	**As at 30 June 2014**	**Change**
Financial position				
Net assets	**$m**	**1,354.8**	1,870.8	**(28)%**
Cash balance	**$m**	**170.2**	411.3	**(59)%**

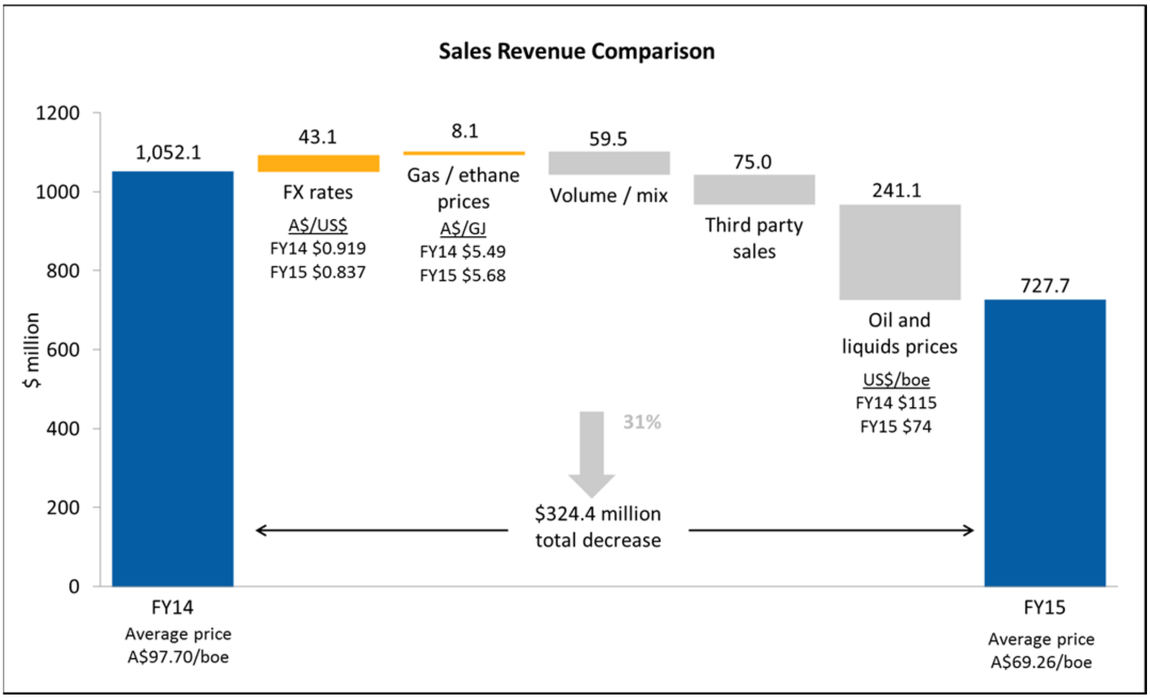
Operating and Financial Review

Revenue

As a result of lower oil prices and oil sales volumes in FY15, sales revenue was down 31% to $728 million ($1,052 million in FY14). This reduction in sales revenue was partly offset by a lower average AUD/USD exchange rate. Sales revenue from production decreased by $249 million and third party sales decreased by $75 million. Sales volumes of 10.5 MMboe were marginally lower than FY14 due to lower oil production and third party volumes, offset by higher gas sales volumes.

The average realised oil price decreased to A$90/bbl, down A$37/bbl from FY14, due to a lower US$ oil price, but partly offset by a fall in the average AUD/USD exchange rate.

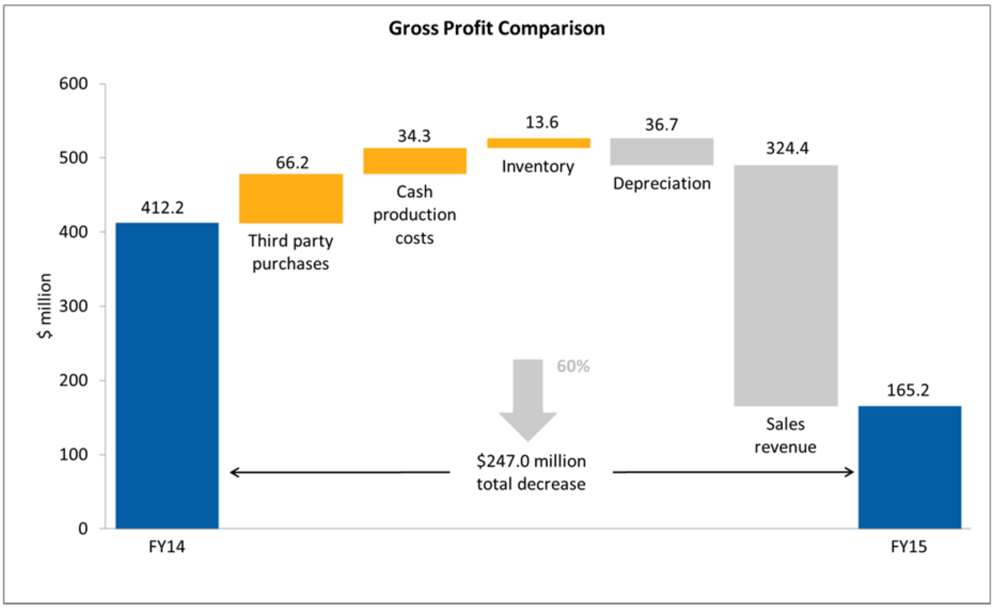
Total revenue decreased by 30% to $736 million, down from $1,058 million in FY14.



Operating and Financial Review

Gross Profit

Gross Profit was down 60% to $165.2 million (from $412.2 million in FY14) primarily as a result of lower sales revenue, offset by lower total cost of sales, down 12% from FY14, to $563 million. The reduction in cost of sales is primarily due to lower third party purchases ($66 million), lower royalties from the fall in the oil price ($25 million), repeal of the carbon tax ($17 million) and an increase in inventory ($14 million), partly offset by higher depreciation and amortisation ($37 million) and operating costs ($8 million). The increases in depreciation were mainly due to higher capital expenditure and the impact of reserve adjustments in the prior year. Third party purchases decreased due to lower oil prices and lower oil deliveries through the SACB JV facilities at Moomba. Key movements in Gross Profit are summarised below:



Net profit/(loss) after tax (NPAT)

A net loss after tax of $514 million was reported, as non-cash impairment charges of $789 million offset strong underlying operating performance.

Other income of $7 million was, down by $13 million from FY14 which included $16 million of gains on the sale of joint venture interests, including the sale of Beach's interest in the Williston Basin, USA.

Other expenses were $828 million, $620 million higher than FY14, mainly due to current year asset impairments (pre-tax) for the Cooper Basin ($583 million), Egypt ($174 million) and Romania ($32 million) as summarised below:

Reconciliation of Impairment expense for the current financial year ($million)

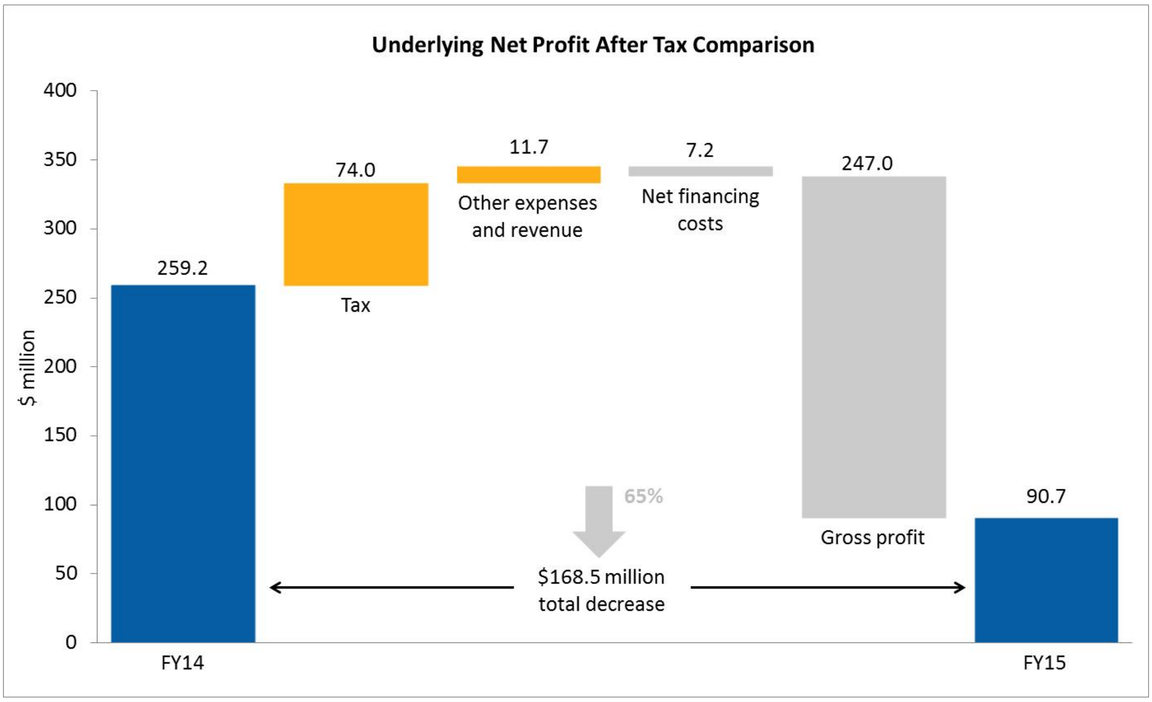
	Cooper	Egypt	Romania	Total	Dec	June	Total
Property, plant and equipment	22	-	-	22	-	22	22
Petroleum assets	287	84	-	371	157	214	371
Exploration and evaluation assets	238	90	32	360	30	330	360
Other financial assets	36	-	-	36	36	-	36
Total impairment expense (pre tax)	**583**	**174**	**32**	**789**	**223**	**566**	**789**
Tax benefit	175	-	-	175	58	117	175
Total impairment expense (after tax)	408	174	32	614	165	449	614

Operating and Financial Review

Underlying NPAT

By adjusting FY15 NPAT to exclude impairment and non-recurring items (as summarised below), underlying NPAT was $91 million. This represents a 65% decrease on FY14, due mainly to lower oil prices and volumes.

Comparison of underlying profit	FY 15 $m	FY 14 $m	Movement from PCP $m	
Net profit/(loss) after tax	**(514.1)**	**101.8**	**(615.9)**	-605%
Remove mark to market of convertible note derivative	**(13.3)**	14.3	(27.6)	
Remove asset sales	**-**	(15.7)	15.7	
Remove impairment of assets	**789.1**	162.2	626.9	
Tax impact of above changes	**(171.0)**	(3.4)	(167.6)	
Underlying net profit after tax	**90.7**	**259.2**	**(168.5)**	-65%



Operating and Financial Review

Financial Position

Assets

Total assets decreased by $754 million to $1,836 million, significantly as a result of asset impairment write-downs.

Cash balances decreased by $241 million to $170 million, primarily due to:

- Capital expenditure of $448 million; and
- Dividends paid of $30 million;

partly offset by:

- Cash flow from operations of $229 million; and
- Reimbursement of exploration expenditure $13 million.

Inventories increased $23 million due to higher gas volumes held in storage. Available for Sale (AFS) financial assets decreased by $24 million due to downward revaluation adjustments booked through the AFS reserve. Assets held for sale of $22 million relate to Beach's Egyptian interests.

Fixed assets, development and exploration assets decreased by $513 million. Capital expenditure of $433 million, increases for restoration of $13 million and foreign exchange movements of $43 million, were partly offset by amortisation and depreciation of $222 million, impairment charges of $753 million, reclassification to assets held for sale of $14 million and reimbursement of exploration expenditure of $13 million. Other assets decreased by $21 million, mainly due to impairment.

Liabilities

Total liabilities decreased by $238 million to $482 million, mainly due to tax paid of $75 million and a reduced deferred tax liability of $160 million as the impairment of non-current assets reverses timing differences previously booked. Borrowings increased by $5 million and provisions increased by $13 million, mainly due to the unwinding of the present value discount on these balances partly offset by the payment of residual carbon tax liabilities from FY14. Other movements included a decrease in creditors of $26 million due to lower activity levels across the Cooper Basin at period end and a decrease in derivative liabilities of $13 million, due to the unwinding of value attached to the convertible note conversion rights.

Equity

Equity decreased by $516 million, mainly due to the net loss after tax of $514 million and dividends paid during the year of $39 million partly offset by shares issued during the year (primarily from the dividend reinvestment plan) of $10 million and an increase in reserves of $27 million, excluding the transfer from retained earnings to the profit distribution reserve.

Operating and Financial Review

Dividends

During the financial year the Company paid the FY14 final fully franked dividend of 2.0 cents per share, as well as an interim fully franked dividend of 1.0 cent per share. The Company will also pay an FY15 fully franked final dividend of 0.5 cents per share from the profit distribution reserve.

State of affairs

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

Oil prices

The average AUD Brent oil price for FY15 has fallen almost 30% as compared to the average received in FY14. This low oil price environment resulted in Beach reviewing its capital expenditure program in FY15 and significantly reducing its FY16 capital expenditure program. Beach is also committed to reduce operating and corporate costs where possible.

The underlying performance of Beach's business is strong and well positioned to take advantage of a future oil price recovery.

Matters arising subsequent to the end of the financial year

International – Sale of Beach Egypt

On 10 August 2015, Beach announced it had entered into a binding agreement with Rockhopper Exploration plc (Rockhopper) in relation to the sale of its wholly owned subsidiary, Beach Petroleum (Egypt) Pty Ltd, whose core asset is a 22% interest in the Abu Sennan Concession in Egypt. Consideration will be up to US$22 million (subject to adjustments) comprising US$11.5 million cash, with the balance to be made up of Rockhopper shares. The share component will be limited to no more than 5% of Rockhopper's issued capital. Completion of the transaction is expected to occur in late 2015 / early 2016 and is dependent on satisfaction of certain conditions precedent, including Egyptian regulatory approvals, limited confirmatory due diligence, divestment of certain excluded non-core assets, and joint venture consents, including pre-emption. The divestment of the excluded assets is not expected to result in a material adjustment to the proceeds from this transaction. The sale of Beach Egypt is consistent with Beach's strategy to focus on Australia and nearby.

Cooper Basin – Acquisition of 40% operatorship interest in ATP 1056

On 11 August 2015, Beach announced it had signed a binding agreement to acquire a 40% operating interest in the ATP 1056 permit from AGL Cooper Basin Pty Ltd, a subsidiary of AGL Energy Ltd (AGL), for $1.15 million. ATP 1056 is located on the south-eastern flank of the Cooper Basin and adjoins long-producing oil fields such as Jackson and Naccowlah. The permit area has been identified as highly prospective for oil and is covered by 610 km^2 of 3D seismic, with two small discoveries currently on extended production test. Completion is subject to satisfaction of conditions precedent, including Queensland Government indicative approval, appointment of Beach as operator of the ATP 1056 joint venture, and joint venture consents and waivers. On completion, Beach will hold a 40% participating interest in the ATP 1056 joint venture, comprising a 20% registered interest in ATP 1056, and a right to earn a further 20% by satisfying farm-in obligations assumed from AGL. The acquisition will allow Beach to leverage its core capability and is consistent with its strategy to pursue Cooper Basin adjacencies.

Cooper Basin – Commencement of gas delivery under long term sales agreement with Origin

On 1 July 2015, Beach announced that its long term gas sales agreement with Origin Energy Retail Ltd (Origin) had been initiated for delivery of up to 139 PJ of sales gas over an initial eight year term. Key benefits to Beach from the agreement include attractive oil-linked pricing with other parameters, and expected delivery of significant sales gas volumes, with a potential two year extension available to Origin (for total volumes of up to 173 PJ over a ten year period). It is expected that daily sales gas volumes supplied to Origin under this contract will increase over the course of FY16, while legacy contracts continue to be serviced. Initiation of this contract continues Beach's transition to separate lifting and marketing of its equity share of sales gas from the SACB and SWQ JVs, and is consistent with its strategy to benefit from increasing gas demand from east coast markets.

Operating and Financial Review

Bonaparte Basin

Beach completed the acquisition of Territory Oil and Gas Pty Ltd (TOAG), which delivered to Beach TOAG's 45% interest in EP 126. While the transaction is immaterial to Beach, terms of the transaction remain confidential. Beach has a resulting 100% interest in the permit and is reviewing options for future activities, which may include farm down to a suitable partner to fund further appraisal and development efforts.

Other than the above matters, there has not arisen in the interval between 30 June 2015 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, unless otherwise noted in the Financial Report.

Future developments

Our strategy

During FY15, Beach completed two of three stages of a whole-of-organisation review. The review aims to clearly define Beach's medium and long-term strategies, and ensure the appropriate structure and capabilities are in place to achieve its strategic goals. The first stage, Assess Phase, was a broad ranging health check of the business, including a review of the existing strategy, business plans, management processes and organisational capabilities. This laid the foundation for the second stage, Strategy Review, the main priority for which was to clearly define the ambition of Beach and develop an executable plan to achieve objectives.

Outcomes of the Strategy Review were communicated subsequent to year end on 12 August 2015. Beach's strategy is premised on a refreshed Vision: *We aim to be Australia's premier multi-basin upstream oil and gas company*, and a refreshed Purpose: *To deliver sustainable growth in shareholder value*. To achieve these goals, four strategic pillars were developed to drive all decision-making and serve as a roadmap for the future. The four strategic pillars are:

1. **Optimise our core in the Cooper Basin:** Drive growth in Beach's core business through organic and inorganic opportunities.
2. **Build a complementary gas business in east coast basins:** Establish a gas business in east coast basins to benefit from increasing gas demand from east coast markets.
3. **Pursue compatible growth opportunities in Australia and nearby**: A disciplined approach to mature the current opportunity set, identify prospective basins and execute growth opportunities.
4. **Maintain financial strength:** Continued financial strength will underpin exploration efforts and growth options, and support the objective of sustainable growth in shareholder value.

These strategic pillars have re-defined Beach's geographic boundaries by focusing close to home, and are expected to propel Beach towards being Australia's premier multi-basin upstream oil and gas company. Over the next 10 years, Beach's aspirational goal is to achieve a step-change in annual production, with similar growth in 2P reserves. Should this be achieved, Beach will be on the path to becoming a top 50 ASX company.

Beach is already delivering on its strategy. In June, the exit from Romania was announced, and in August, the sale of Beach's Egyptian assets was announced. With regard to the core business, in August the acquisition of a 40% interest in ATP 1056 was announced. This permit is located in Queensland on the south-eastern flank of the Cooper Basin and will allow Beach to leverage its core capability.

In FY16, the final stage of the whole-of-organisation review**,** Organisational Model and Capability, will be completed. This stage will determine the appropriate structure, capabilities and processes required to most effectively and efficiently deliver on Beach's strategic objectives. Progress has already been made, with the identification of corporate cost savings in the order of 15% for FY16. Review of costs will be ongoing during this stage and beyond.

Operating and Financial Review

FY16 outlook

Activity in FY16 will be constrained relative to FY15 due to a major reduction in capital expenditure, brought about by the reduction in oil prices experienced in FY15 and the subsequent impact on cash flows. The work program for FY16 has been developed on the assumption of a continuing lower oil price environment and hence the need to preserve financial strength and flexibility. The drilling program in FY16 is expected to include approximately 60 wells, 60% of which are likely to be development wells and 40% exploration / appraisal wells. Annual capital expenditure guidance for FY16 is $240 million to $270 million, which Beach expects to be fully funded.

Annual production guidance for FY16 is 7.8 to 8.6 MMboe, which is lower than FY15 production due to natural field decline and curtailed drilling activity. Despite lower production, gas sales volumes in FY16 are expected to be higher than FY15 levels as a result of likely drawdown of gas from storage.

Cooper Basin

Delhi

A significant portion of capital expenditure for FY16 will be allocated to the SACB and SWQ JVs acreage, with approximately 40 wells expected to be drilled. Drilling activity will be lower than FY15 levels due to the rig count reducing from seven rigs in FY15 to three rigs in FY16. Drilling will be more geographically widespread relative to the infill program of FY15, and will include a focus on liquids-rich fields in South Australia and low CO_2 content fields in Queensland. A number of under-appraised fields will also be targeted, with potential for infrastructure installations and upgrades dependent on drilling outcomes.

Of the approximately 40 wells to be drilled, up to 30 will be oil and gas development wells, with the balance to be oil and gas appraisal and exploration wells. Total Delhi capital expenditure is expected to be approximately $160 million, with one quarter relating to infrastructure maintenance and the remainder relating to drilling and infrastructure upgrades and installations. Such upgrades include gas compression projects in Queensland.

Western Flank oil

Capital expenditure for the Western Flank is estimated at approximately $51 million and includes a drilling program of up to 16 wells. This is expected to include six development wells and five exploration / appraisal wells in Beach operated permits, and, subject to joint venture partner approvals, one development well and three exploration / appraisal wells in non-operated permits.

Infrastructure installations are expected to be completed at the Stunsail and Pennington fields, which comprise new facilities providing a total of 40,000 bfpd capacity, trunkline installation to connect these facilities to the Bauer to Lycium network, and connection of three completed wells. Planning is underway for a further increase in capacity at the Bauer facility, with the upgrade expected to be completed by financial year end.

Processing and interpretation of various 3D seismic surveys and inversion projects are expected to be completed in the first half of FY16, which are expected to replenish Beach's seriatim of prospects and leads. A whole of Cooper Basin review will be undertaken, including assessment of farm-in and gazettal opportunities, to identify meaningful targets to assist with reinvigoration of exploration in the basin.

Operated gas

Within ex PEL 106, the work program is expected to comprise two exploration wells and completion of the compression project at the Middleton gas processing facility. In addition, four existing wells are expected to be brought online, which is expected to result in a material uplift in production by financial year end. Within PEL 94 / 95, a program is expected to commence to test the potential for gas production from deep coals in the south of the Cooper Basin.

Eastern Flank oil

Wells expected to be drilled in the first half of FY16 include an exploration well in ATP 924 to start the farm-in process with Drillsearch, and an exploration well in PL 184. A review of ATP 1056 will also commence following acquisition of a 40% operatorship interest in August 2015 (refer to *Matters arising subsequent to the end of the financial year*).

Nappamerri Trough Natural Gas

Development of the stage 2 scope for the Nappamerri Trough Natural Gas project is expected to be completed during the first half of FY16. A farm-down process will then be initiated to secure a suitable partner to progress appraisal work.

Operating and Financial Review

International

Beach has redefined its geographical boundaries closer to home and in FY16 is expected to continue to reduce exposure to non-core international interests. In Egypt, Beach is expected to complete the sale process of its portfolio of assets, as announced in August 2015 (refer to *Matters arising subsequent to the end of the financial year*). Completion is expected to occur late calendar year 2015 / early 2016. In Tanzania, Beach will progress the farm-down process in relation to the Lake Tanganyika South Block. If a suitable partner is not located in a timely manner, Beach will re-assess the asset to develop a plan moving forward.

In New Zealand, a review of the Canterbury Basin value proposition and broader domestic gas market will be undertaken to guide future activities. In addition, a farm-down process in relation to the Barque Block in PEP 52717 will continue in order to identify a suitable partner for progressing the work program.

Funding and capital management

As at 30 June 2015, Beach held cash and cash equivalents of $170.2 million. In July 2013, Beach negotiated a $320 million syndicated debt facility, which was increased to $330 million in October 2014. $150 million of the five year revolving loan facility was fully drawn down in April 2015 and has a maturity date of 31 July 2018. As at 30 June 2015, the $150 million three year revolving loan facility remains undrawn with a maturity date of 31 July 2016.

Beach anticipates that its current funding to be adequate for capital expenditure anticipated in the 2016 financial year.

Material Business Risks

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

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

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

Economic risks:

Exposure to oil and gas prices

A decline in the price of oil and gas may have a material adverse effect on Beach's financial performance. Historically, international crude oil prices have been very volatile. A sustained period of low or declining crude oil prices could adversely affect Beach's operations, financial position and ability to finance developments. Beach has a policy for hedging oil price and currency risks. Beach has responded to recent declines in prices with a focus on reducing FY16 capital and operating expenditure and improving business efficiency.

Foreign exchange and hedging risk

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

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

Material Business Risks

Ability to access funding

The oil and gas business involves significant capital expenditure, including exploration and development, production, processing and transportation. Beach relies on cash flows from operating activities and bank borrowings and offerings of debt or equity securities to finance capital expenditure.

If cash flows decrease or Beach is unable to raise the necessary financing, this may result in reduction in planned capital expenditures. Any such reduction could have a material adverse effect on Beach's ability to expand its business and/or maintain operations at current levels, which in turn could have a material adverse effect on Beach's business, financial condition and operations.

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

Operational risks:

Joint Venture Operations

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

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

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

Material change to reserves and resources

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

Beach's reserves are estimated in accordance with SPE Petroleum Resources Management System (PRMS) guidelines (March 2007) and subject to periodic external review or audit.

Exploration and development

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

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

Material Business Risks

Production risks

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

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

Social licence to operate risks:

Regulatory risk

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

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

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

Permitting risk

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

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

Land access and Native Title

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

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

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

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

Material Business Risks

Health, safety and environmental risks:

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

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

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

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

Forward Looking Statements

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

Material Prejudice

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

Environmental regulations and performance statement

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

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

Beach reports under the National Greenhouse and Energy Reporting Act.

Dividends paid or recommended

Since the end of the financial year the directors have resolved to pay a fully franked dividend of 0.5 cents per share on 25 September 2015. The record date for entitlement to this dividend is 4 September 2015. The financial impact of this dividend, amounting to $6.5 million, which will be paid from the profit distribution reserve has not been recognised in the Financial Statements for the year ended 30 June 2015 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
FY14 full year	5 September 2014	26 September 2014	2.00	$25.9 million
FY15 half year	6 March 2015	27 March 2015	1.00	$13.0 million

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

Share options and rights

Beach does not have any options on issue at the end of financial year and has not issued any during FY15.

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

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

Executive Performance Rights

On 1 September 2014 and 1 December 2014, Beach issued 192,859 and 211,559 unlisted performance rights respectively pursuant to the Executive Incentive Plan for the 2013 short term incentive offer. Half of the total of these unlisted performance rights vest 1 July 2015 with the balance vesting on 1 July 2016 subject to the holder of the performance rights remaining employed with Beach on the vesting dates. On 1 December 2014, Beach issued a further 1,667,671 Long Term Incentive unlisted performance rights under the Executive Incentive plan. These performance rights, which expire on 30 November 2019, are exercisable for nil consideration and are not exercisable before 1 December 2017.

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
2011 LTI unlisted rights					
Issue 1 December 2011	2,566,470	-	-	(2,566,470)	-
2011 STI unlisted rights					
Issue 14 September 2012	751,995	-	(751,995)	-	-
2012 LTI unlisted rights					
Issue 21 December 2012	1,848,839	-	-	(162,359)	1,686,480
2012 STI unlisted rights					
Issue 30 August 2014	292,282	-	(146,141)	(12,196)	133,945
2013 LTI unlisted rights					
Issue 2 December 2014	2,066,744	-	-	(181,495)	1,885,249
2013 STI unlisted rights					
Issue 1 September 2014	-	192,859	-	-	192,859
2013 STI unlisted rights					
Issue 1 December 2014	-	211,559	-	-	211,559
2014 LTI unlisted rights					
Issue 1 December 2014	-	1,667,671	-	-	1,667,671
Total	**7,526,330**	**2,072,089**	**(898,136)**	**(2,922,520)**	**5,777,763**

Information on Directors

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

Glenn Stuart Davis

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

Experience and expertise

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

Current and former directorships in the last 3 years

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

Responsibilities

His special responsibilities include membership of the Risk Committee, the Corporate Governance Committee and the 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 27 November 2014.

Robert James Cole

Managing Director - *BSc, LLB (Hons)*

Experience and expertise

Mr Cole joined Beach as Managing Director in March 2015. Prior to this, he held the position of Executive Director and Executive Vice President Corporate and Commercial at Woodside Petroleum Limited. In 2012 he was appointed to the Board of Woodside becoming one of two executive directors on the Board. During his nine years at Woodside, Mr Cole was responsible for many functions including upstream commercial, marketing and trading, legal, company secretariat, internal audit, human resources, corporate affairs, strategy and planning, chief economist, health and safety, environment, security and emergency management. Prior to this, Mr Cole worked for 21 years at Mallesons Stephen Jaques (now King & Wood Mallesons). Mr Cole's area of expertise was in the energy and resources sector as a legal advisor to many national and international corporates. Mr Cole also held the position of Chairman of the Australian Petroleum Production and Exploration Association from 2011 until 2012. Mr Cole has completed the Harvard Business School Advanced Management Program.

Current and former directorships in the last 3 years

Mr Cole is a former director of ASX listed Woodside Petroleum Limited (from 2012 to 2014).

Responsibilities

His special responsibilities include membership of the Risk Committee.

Date of appointment

Mr Cole was elected to the Board on 10 March 2015.

Information on Directors

Colin David Beckett

Non-Executive Director – *FIEA, MICE, GAICD*

Experience and expertise

Mr Beckett joined Beach in April 2015. As an Engineer with over 35 years' experience in engineering design, project management, commercial and gas marketing, Mr Beckett offers a diverse and complementary set of skills in a range of technical disciplines. Mr Beckett previously held senior executive positions at Chevron Australia Pty Ltd, most recently as the General Manager responsible for the development of the Gorgon LNG and domestic gas project, being developed on Barrow Island offshore Western Australia. Prior to this, Mr Beckett was employed at: Mobil in Australia, predominantly in a strategic planning role; Woode, planning the expansion of the North West Shelf business; BP Australia, in a role primarily focused on financial, safety and environmental performance of BP's North West Shelf and PNG assets; and BP in the UK, where he was involved in the development of North Sea oil and gas assets.

Mr Beckett read engineering at Cambridge University and has a Master of Arts (1975). He is currently the Chancellor of Curtin University, Chairman of Perth Airport Pty Ltd and Western Power and a past Chairman and board member of the Australian Petroleum Producers and Explorers Association (APPEA), and a member of the West Australian Scitech Board. In addition Mr Beckett is a past member of the Resources Sector Suppliers Advisory Forum and a Fellow of the Australian Institute of Engineers.

Current and former directorships in the last 3 years

Nil

Responsibilities

His special responsibilities include membership of the Risk Committee.

Date of appointment

Mr Beckett was elected to the Board on 2 April 2015.

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 a former director of Boom Logistics Limited (from 2010 to 2015).

Responsibilities

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

Date of appointment

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

Information on Directors

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 a former director and chairman of Lifeplan Australia Friendly Society Group (from 1984 to 2014 and as chairman from 2005) and a director of Australian Unity Limited (from 2009 to October 2014).

Responsibilities

Effective 1 July 2015, Mr Butler was appointed as the Lead Independent Director. His special responsibilities include chairmanship of the Audit Committee and membership of 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 2014.

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 and membership of the Risk Committee.

Date of appointment

Ms Robinson was elected to the Board on 27 May 2011, last having been re-elected to the Board on 27 November 2014.

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 chairmanship of the Corporate Governance Committee and membership of the Audit Committee and the Risk 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 are:

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) and Marmota Energy Limited (from 2006 until August 2012).

Date of appointment

Mr Nelson was appointed on 25 May 1992 until his retirement on 1 July 2015.

Directors' Report

Information on Directors

Directors' meetings

The Board of Beach met ten times, the Audit Committee met six times, the Corporate Governance Committee met four times, the Remuneration and Nomination Committee met five times and the Risk 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		Risk Committee Meetings	
	Held (1)	Attended (1)	Held	Attended	Held	Attended	Held	Attended	Held (1)	Attended (1)
G S Davis	10	10	-	-	4	4	5	5	4	4
C D Beckett	2	2	-	-	-	-	-	-	1	1
F R V Bennett	10	10	6	6	-	-	5	5	4	4
J C Butler	10	10	6	6	4	4	-	-	4	4
R J Cole	3	3	-	-	-	-	-	-	2	2
R G Nelson	7	7	-	-	-	-	-	-	2	2
B C Robinson	10	10	-	-	-	-	5	5	4	4
D A Schwebel	10	10	6	6	3	3	-	-	4	4

(1) Number of Meetings held during the time that the director was appointed to the Board

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

Indemnity of Directors and Officers

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

Company Secretaries

Kathryn Anne Presser

Chief Financial Officer and Joint Company Secretary and Executive Vice-President Corporate Services - *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 and currently holds positions on not-for-profit and government boards and management/advisory committees.

Catherine Louise Oster

General Counsel and Joint Company Secretary and Executive Vice-President Sustainability – *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 including as 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, KPMG for audit and non-audit services provided during the year are set out at Note 27 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 hundred thousand dollars, unless shown otherwise.

Proceedings on behalf of Beach

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

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

Audit independence declaration

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

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

On behalf of the directors

G S Davis

Chairman

Adelaide, 24 August 2015

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Beach Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Scott Fleming
Partner

Adelaide

24 August 2015

Remuneration Report (Audited)

This report has been prepared in accordance with section 300A of the *Corporations Act 2001 (Cth)* (Corporations Act) for the consolidated entity for the financial year ended 30 June 2015 (FY15). 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 in 2015 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.

2015 Remuneration Outcomes at a glance

Fixed Remuneration	NO MD INCREASE CPI INCREASE FOR SENIOR EXECUTIVES	Managing Director, Mr Nelson's total fixed remuneration did not increase. Following a review of his role and responsibilities, the Chief Operating Officer's salary increased by 11% from 1 July 2014. Other senior executives' total fixed remuneration increased by 3.25% in line with CPI.
Short Term Incentive (STI)	NO STI AWARDED	The return on capital gate of 5% which must be met before other KPIs are measured was not achieved, so no STI was awarded to senior executives for FY15. STI performance rights issued in 2012 and 2013 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 2014.
Long Term Incentive (LTI)	NO LTI VESTING	LTI performance rights issued in December 2011 were measured during the year. The measure over a three year period, Beach's total shareholder return (TSR), was negative so no performance rights vested.
Non-executive directors	NO DIRECTOR FEE INCREASE	Non-executive directors' base fees and committee fees did not increase for the financial year.

Voting and comments made at the Company's 2014 Annual General Meeting

Beach received more than 98% of "yes" proxy votes on its Remuneration Report for the 2014 financial year. The resolution to adopt the Remuneration report was passed unanimously and no specific feedback on Beach's remuneration practices was received at the 2014 annual general meeting.

Remuneration Report (Audited)

1. What is in this report?

This report:

- Explains Beach's policy and framework for structuring and setting remuneration for 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;
- Describes how the company links incentives to company performance – see section 5;
- Details the structure of remuneration for its senior executives - see section 6;
- Details senior executive employment arrangements – see section 7;
- Details total remuneration for senior executives as required under the Corporations Act 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 remuneration policy framework

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

Beach's remuneration is designed to attract and retain suitably qualified and experienced non-executive directors with a diverse set of skills. The Board establishes the Company's purpose and oversees the development and implementation of the strategy for its achievement. The Board also sets core values which it expects its senior executives to adhere to in achieving this purpose.

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

- <u>Attract</u>, <u>motivate</u> and <u>retain</u> a skilled and talented senior executive team focused on achieving the Company's objective by offering fixed remuneration that aligns the roles and responsibilities of the senior executive with market practice and prevailing economic conditions;
- <u>Link</u> 'at risk' performance based incentives to shorter term and longer term Company goals that contribute to the achievement of the Company's purpose; and
- <u>Align</u> 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.

Two additional features of Beach's policy framework are:

- A right to recover remuneration benefits awarded in situations involving fraud or dishonesty;
- A process to monitor compliance with the legal requirement prohibiting hedging to ensure 'at risk' incentives are genuinely 'at risk'.

These features are described in more detail below.

<u>Clawback of Senior Executive Remuneration</u>

The Board can 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 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.

Hedging

The Corporations Act prohibits 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.

Remuneration for 2016

Review of total fixed remuneration for 2016

In light of the dramatic fall in the crude oil price over 2015, the Board resolved that there would be no fixed remuneration increase for senior executives for the coming year.

Review of non-executive directors fees

The Board also resolved not to increase Board or committee fees. To date no committee fees have been paid to the chairman or members of the Risk Committee which was formed in 2014. The Board has resolved to pay the chairman of that committee, Ms Bennett a fee from the start of the new financial year but members of that Committee will not receive a fee. Dr Schwebel attends Reserves Committee meetings at the request of the Audit Committee and from the commencement of the new financial year will be paid a sitting fee. The annual fee for both positions is $15,000 (inclusive of superannuation).

Review of 'at risk' remuneration structure for 2016

In March 2015, the new Managing Director, Mr Cole commenced a companywide organisational review. In parallel with this review, the Remuneration and Nomination Committee undertook a review of the short term 'at risk' component of senior executive remuneration for the coming financial year. The results of the initial phases of the organisational review identified five principles that the committee considered in the design of Beach's short term incentive in particular. These were:

- Ensuring alignment of incentives with the strategic plan;
- Ensuring that the short term incentive provides motivation to senior executives and their teams in both good and challenging economic conditions;
- Driving improvement in safety performance;
- Maintaining a low cost and reliable operator focus;
- Increasing the performance orientation of the Company.

The review focussed on the short term incentive design and the performance measures or KPIs for 2016 benchmarking the design against ASX 200 Energy Index constituents. It considered the weighting between company and individual KPIs for the Managing Director and other senior executives, the use of a gate before any incentive is awarded and the appropriateness of the current company KPIs. The review resulted in:

- Revised KPIs being set for FY16. In particular, the underlying NPAT, reserves and staff moral measures were replaced by measures with a focus on reducing operating costs and a strategic objective KPI linked to the strategic plan recently adopted by the Board following completion of the second stage of the organisational review.
- New weighting for company and individual KPIs from 90% company and 10% individual KPIs to 60% company and 40% individual KPIs for all senior executives.
- Replacement of the gate with a structured Board discretion described below.

The Board has also considered how the short term incentive could be better aligned with its purpose of delivering sustainable growth in shareholder value. The suitability of the current performance gate of 5% Return on Capital (ROC) was considered. It was designed to ensure that no short term incentives would be awarded at a time when shareholder expectations of a minimum return on investment are not achieved. However, the Board considered that the current performance gate does not provide the desired performance incentive in difficult economic circumstances caused by external factors such as low oil prices. Nor does the ROC gate recognise other contributions to shareholder returns including material exploration success or execution of a material growth initiative. After consideration the Board decided to replace the Return on Capital (ROC) gate with another test that in its view will better align with shareholder expectation whilst motivating senior employees. A combination of the following was adopted:

- Retention of the current payment of 50% cash and 50% performance rights with an employment retention criteria of up to 2 years; and
- A calculation at the end of a performance period (being the end of Beach's financial year) of both a return on capital and a one year relative total shareholder return against the ASX 200 Energy Index as set out in the table below.

Table 1: Two tiered test

Measures	*Green*	*Yellow*	*Red*
1 year Relative Total Shareholder Return against ASX 200 Energy Total Return Index (Index Return) at the end of the Performance Period	*>Index Return*	*= Index Return*	*<Index Return*
Return on capital [1]	*>5%*	*5%*	*<5%*

If any one of the measures in the table falls within the red band or any two measures fall within the yellow band then the Board may use its discretion to determine by resolution whether to award an STI or decrease the award of an STI.

3. How Beach makes decisions about remuneration

The Board has responsibility for the remuneration of its KMP. A Board committee, 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 FY15, the committee comprised the following non-executive directors:

Table 2: Remuneration and Nomination Committee members

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

At the invitation of the committee, the Managing Director also attends its meetings in an advisory capacity. Other senior executives may also attend committee meetings to provide management support. Executives are excluded from discussion concerning their own remuneration arrangements.

4. External advisers and remuneration advice

Beach engaged independent remuneration advisers Guerdon Associates, during the year to advise it and undertake work on KMP remuneration issues and to remain up to date with market practice. That work included providing remuneration data for new Managing Director recruitment, remuneration benchmarking and market practice data and TSR performance testing and share rights valuation work. No remuneration recommendations were made to the Remuneration and Nomination Committee or the Board by Guerdon Associates during FY15.

Where advisers are engaged by the Board and the Remuneration and Nomination Committee to undertake remuneration related work, where a remuneration recommendation is made, the engagement occurs in accordance with its protocol. The protocol for the engagement of external remuneration advisers is used to ensure that the information, advice or work the committee and the Board receives is free from any undue influence from management. The Board or the committee, through its chairmen, appoints and engages directly with the consultant in relation to remuneration matters for KMP. The terms of any engagement are finalised by the Board or committee and all remuneration advice, work or recommendations are provided directly to the Board or committee chairman. Management is involved in this process only to extent that it can assist to coordinate the work of the advisers as requested.

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

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 Rewards 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. Describes how the Company links performance to incentives

Beach's remuneration policy includes short and long term incentive plans designed to align 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 STI is an incentive comprising a mix of half cash and half performance rights for Beach shares.

The following table shows Beach's gross revenue, net profit / (loss) after tax, dividends and reserves and production 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.

Table 3: Shareholder wealth indicators 2011 - 2015

	2011	2012	2013	2014	2015
Total revenue	$498.2m	$619.3m	$700.5m	$1,057.7m	**$735.5m**
Net profit / (loss) after tax	$(97.5)m	$164.2m	$153.7m	$101.8m	**$(514.1)m**
Underlying net profit after tax	$42.1m	$122.1m	$140.8m	$259.2m	**$90.7m**
Share price at year-end	91.5 cents	94.0 cents	113.5 cents	168.0 cents	**105.0 cents**
Dividends declared	1.75 cents	2.25 cents	2.75 cents	4.00 cents	**1.50 cents**
Reserves	77 MMboe	93 MMboe	93 MMboe	86 MMboe	**74 MMboe**
Production	6.6 MMboe	7.5 MMboe	8.0 MMboe	9.6 MMboe	**9.1 MMboe**

6. Senior executive remuneration structure

This section details the remuneration structure for senior executives

Table 4: Details of senior executives

Name	Position
Current senior executives	
R J Cole	Managing Director (from 10 March 2015)
N M Gibbins	Chief Operating Officer/EVP Australian Oil and International and Acting Chief Executive Officer (from 19 August 2015)
C G Jamieson	Group Executive External Affairs (from 8 December 2014)
G M Moseby	Group Executive Portfolio Management/EVP Planning Management
C L Oster	General Counsel/Joint Company Secretary/EVP Sustainability
K A Presser	Chief Financial Officer/Company Secretary/EVP Corporate Services
R A Rayner	Group Executive Commercial/EVP Australian Gas
M R Squire	Group Executive Corporate Development (from 8 December 2014)
Former senior executives	
R G Nelson	Managing Director (ceased to be a KMP on 10 March 2015 although he continued as Special Advisor to the Board until 1 July 2015)
S B Masters	Group Executive Corporate Development/EVP Growth (ceased on 8 December 2014)

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 'at risk' remuneration comprises:
  - 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 5 sets out the relative proportions of the three elements of the senior executives total remuneration packages for the 2014 and 2015 financial years that relate to performance and those that are not.

Table 5: Remuneration mix

	Fixed Remuneration	Performance based remuneration		At risk
Name	**%**	**STI %**	**LTI %**	**%**
Managing Director				
2015	**34**	**33**	**33**	**66**
2014	34	33	33	66
Senior Executives				
2015	**51**	**23**	**26**	**49**
2014	51	23	26	49

The Managing Director referred to in the table is Mr Reg Nelson who ceased as Managing Director effective 10 March 2015. Mr Cole commenced on 10 March 2015 but was not offered 'at risk' remuneration for FY15.

The remuneration mix set out in the table assumes at risk awards at 100% of their 'face value' and are not discounted to take account of the performance conditions. Percentages shown in the later section of the this report reflect the actual incentives paid as a percentage of total fixed remuneration, movements in leave balances and other benefits and share based payments calculated using the relevant accounting standards.

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 review or advice that takes account of the role and responsibility of each senior executive. It is reviewed annually against industry benchmarking information including the National Awards Group Incorporated remuneration survey.

Fixed remuneration for the year

For the reporting period fixed remuneration:

- Did not increase for the Managing Director, Mr Nelson;
- For the Chief Operating Officer, Mr Gibbins increased by 11% after a review of his role and responsibilities;
- For other senior executives increased by 3.25% in line with CPI.

Remuneration details for individuals are provided in Table 10 and Table 11. Table 10 reports on the remuneration for senior executives as required under the Corporations Act. Table 11 shows the actually realised remuneration that senior executives received.

Short Term Incentive (STI)

What is the STI?	The STI is part of 'at risk' remuneration offered to senior executives. It measures individual and Company performance over a 12 month period coinciding with Beach's financial year. It is provided in equal parts of cash and equity that may or may not vest subject to additional retention conditions. It is offered annually to senior executives at the discretion of the Board.
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 performance rights with a service condition component.
What are the performance conditions or KPIs?	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. For the reporting period, the performance measures comprised: • Company KPIs (90% weighting) ○ Underlying net profit after tax for the relevant financial year (35%) ○ Reserves (20%) ○ Production (20%) ○ Safety (10%) and ○ Employee morale (5%). • Individual KPIs (10% weighting).
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 Beach achieves a return on capital 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, no STI is awarded or paid (ROC gate).
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 performance 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 performance rights will be forfeited. Early vesting of the performance rights may occur at the discretion of the Board if the senior executive leaves Beach due to death or disability. The Board also reserves the right to exercise its discretion for early vesting in the event of a change of control of the Company. There is a general discretion available to the Board, to allow early vesting of performance rights. However, the Board would require exceptional circumstances to exist before it would consider using its discretion.

STI Performance for the year

At the completion of the financial year the Board tested each senior executive's performance against the STI performance indicators set for the year. As the ROC gate of at least 5% return on capital was not achieved, no STI was awarded.

In September and December 2014, STI rights were issued for the 2013 STI offer. Details of the number of performance rights issued to each senior executive are provided in Table 16. Those performance rights will not vest unless senior executives continue their employment with Beach for up to two years.

Table 6: STI Performance rights issued in FY15

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.

STI Performance Rights

	2011 Rights	2012 Rights	2012 Rights	2013 Rights	2013 Rights
	Retention met on 1 July 2014 and shares issued	*Retention met on 1 July 2014 and shares issued*	*Retention met on 1 July 2015 and shares issued*	*Retention met on 1 July 2015 and shares issued*	*Retention to be tested on 1 July 2016*
Number of securities issued	751,995	146,141	146,141	202,211	202,207
Share price	0.912	1.130	1.130	1.710	1.710
Exercise price	-	-	-	-	-
Volatility (average)	41.872%	33.780%	39.022%	30.428%	31.876%
Vesting Period (years)	2.0	1.0	2.0	1.0	2.0
Term	2.0	1.0	2.0	1.0	2.0
Risk free rate	2.460%	2.530%	2.530%	2.471%	2.471%
Dividend yield	2.390%	1.970%	1.970%	3.323%	3.323%
Fair value of security at grant date (weighted average)	0.912	1.112	1.091	1.672	1.618
Total fair value at grant date	**685,819**	**162,509**	**159,440**	**338,156**	**327,108**
Expensed in prior period	(342,910)	-			
Expensed FY14	(342,909)	(162,509)	(79,720)	-	-
Cancelled FY15 - expensed in prior period	-	-	6,653	-	-
Cancelled FY15 - not expensed	-	-	(13,306)	-	-
Expensed FY15	-	-	(73,067)	(338,156)	(163,554)
Remaining expenditure in future years	**-**	**-**	**-**	**-**	**163,554**

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 7.
What is the performance condition?	The most recent offer to senior executives uses a performance condition based on Beach's Total Shareholder Return (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 7.
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.
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 2015, shareholders equity would have diluted by 0.58% (FY14 - 0.58%). 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.

Table 7 – Details of LTI equity awards issued, in operation or tested during the year

Details	2011,2012,2013 and 2014 Performance Rights
Type of Grant	Performance rights
Calculation of Grant limits for senior executives	**2012,2013 and 2014 Performance Rights** Max LTI is 100% of Total Fixed Remuneration (TFR) for MD Max LTI is 50% of TFR for other senior executives **2011 Performance Rights** Max LTI is 100% of TFR for MD Max LTI is 60% - 80% of TFR for other senior executives according to position
Grant Date	**2014 Performance Rights** 1 Dec 2014 **2013 Performance Rights** 2 Dec 2013 **2012 Performance Rights** 21 Dec 2012 **2011 Performance Rights** 1 Dec 2011
Issue price of Performance Rights	Granted at no cost to the participant

Performance period	**2014 Performance Rights** 1 Dec 2014 – 30 Nov 2017 **2013 Performance Rights** 1 Dec 2013 – 30 Nov 2016 **2012 Performance Rights** 1 Dec 2012 – 30 Nov 2015 **2011 Performance Rights** 1 Dec 2011- 30 Nov 2014
Performance Conditions for vesting **Note: No vesting will occur if Beach has a negative TSR.**	**2012 Performance Rights,2013 Performance Rights and 2014 Performance Rights** For Managing Director (only 2013) and for other senior executives (2012, 2013 and 2014) - 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 **2012 Performance 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 **2011 Performance Rights** Where Beach's TSR relative to the comparator group (see 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
Comparator Group	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. It comprised AWE Limited, Horizon Oil Limited, Karoon Gas Australia Limited, Nexus Energy Limited, Origin Energy Limited, Oil Search Limited, ROC Oil Limited, Santos Limited and Woodside Petroleum Limited. Companies removed from the TSR calculation because they have delisted are Aurora Oil & Gas Limited, Dart Energy Limited, Linc Energy Limited and Bow Energy Limited.
Expiry /Lapse	Performance rights lapse if vesting does not occur on testing of performance condition
Expiry Date	**2014 Performance Rights** 30 Nov 2019 **2013 Performance Rights** 30 Nov 2018 **2012 Performance Rights** 30 Nov 2017 **2011 Performance Rights** 30 Nov 2016
Exercise price on vesting	Not applicable – provided at no cost
What is received on vesting?	One ordinary share in Beach for every one performance right
Status	**2014 Performance Rights** In progress **2013 Performance Rights** In progress **2012 Performance Rights** In progress **2011 Performance Rights** Testing completed. Resulted in no vesting of performance rights.

Table 8: Details of LTI performance rights at 30 June 2015

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

LTI Performance Rights

	2010 Rights	2011 Rights	2012 Rights	2013 Rights	2014 Rights
	Vested	*Lapsed*	*To be tested in December 2015*	*To be tested in December 2016*	*To be tested in December 2017*
Number of securities issued	5,453,895	2,566,470	1,848,839	2,066,744	1,667,671
Share price	0.670	1.411	1.470	1.350	0.975
Volatility (average)	37.410%	45.200%	44.925%	35.815%	35.100%
Vesting Period (years)	3.0	3.0	3.0	3.0	3.0
Term	5.0	5.0	5.0	5.0	5.0
Risk free rate	5.345%	3.475%	2.600%	2.990%	2.310%
Dividend yield	2.300%	1.400%	1.560%	2.400%	3.080%
Fair value of security at grant date (weighted average)	0.670	1.411	0.772	0.672	0.471
Total fair value at grant date	**3,654,110**	**3,621,289**	**1,427,895**	**1,387,819**	**785,640**
Expensed in prior period	(3,146,595)	(1,911,236)	(277,646)	-	-
Cancelled in prior period	-	-	-	-	-
Expensed FY14	(507,515)	(1,207,096)	(475,965)	(269,854)	-
Cancelled due to conditions not met (S Masters)	-	(56,590)	(59,787)	(98,176)	-
Expensed FY15	-	(446,367)	(433,763)	(421,982)	(152,763)
Remaining expenditure in future years	**-**	**-**	**180,733**	**597,807**	**632,877**

LTI Performance and outcomes during FY15

LTI performance rights issued in December 2011 were measured. As the measure over a three year period, Beach's total shareholder return (TSR), was (19.8%), none of the performance rights vested.

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. In 2007 as a result of the introduction of a formal STI / LTI incentive scheme, the Board determined that senior executives would not participate in the EIP in the future. However, the senior executives continue to participate in the EIP in respect of the shares already issued to them under the EIP. An exception was the issue of EIP shares to Mr Jamieson in 2010 as he was not a senior executive as the time of issue.

A total of $1,374,583 in EIP loans remains outstanding from employee shares issued in prior reporting periods to senior executives as detailed in Table 9:

Table 9: Details of EIP loans for senior executives

Name	Issue Date	Expiry Date	Number of Shares	Outstanding loan value - $
N M Gibbins	1 Jul 2006	1 Jul 2016	312,500	490,625
C G Jamieson	3 Dec 2010	3 Dec 2020	107,500	72,778
G M Moseby	1 Jul 2006	1 Jul 2016	312,500	490,625
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			974,166	1,374,583

If interest was charged at arm's length based on the ATO statutory interest rate of 5.95%, the relevant interest charge in FY15 would be $81,788.

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 Managing Director's employment agreement commenced with effect 10 March 2015 and is ongoing until terminated by either Beach or Mr Cole on 6 months' notice. Beach may terminate the Managing Director's employment at any time for cause (for example, for serious breach) without notice. In certain circumstances Beach may terminate the employment on notice of not less than six months for issues concerning the Managing Directors performance that have not been satisfactorily addressed.

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 Adelaide. If this occurs, Beach will pay to the Managing Director a retirement payment equal to his 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, divided by three and includes 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.

Other Senior Executives

Other senior executives have an employment agreement that is ongoing until terminated by either Beach from 3 to up to 12 months' notice or the senior executive upon giving three months' notice. Beach may terminate a senior executive's appointment for cause (for example, for serious breach) without notice. Beach must pay any amount owing but unpaid to the employee whose services have been terminated at the date of termination, such as accrued leave entitlements. In certain circumstances Beach may terminate employment on notice of not less than three months for issues concerning the senior executives performance that have not been satisfactorily addressed. If Beach terminates the senior executive's appointment other than for cause or he or she resigns due to a permanent relocation of his or her workplace to a location other than Adelaide, then they are entitled to an amount up to 1 times their final annual salary.

Former Managing Director of Beach

Former Managing Director, Mr Nelson's employment agreement expired on 1 July 2015 and Mr Nelson retired from Beach effective 2 July 2015. On his retirement Beach paid Mr Nelson a retirement payment equal to his 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, divided by three which includes 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. This retirement amount of $1.3 million was accrued in the FY11 financial statements. The final retirement payment made to Mr Nelson including superannuation and annual leave and long service leave entitlements, totalled $1.896 million.

Mr Nelson's retirement arrangements for dealing with his remaining performance rights were approved by shareholders at the 2014 annual general meeting. The terms of that arrangement are that Mr Nelson's unvested LTI and STI performance rights lapsed on his retirement from the Company. A pro rata reward will be provided to Mr Nelson at the date of testing the LTI performance rights in 2015 and 2016. If the testing criteria are not met, Mr. Nelson will not receive any financial reward pertaining to these performance rights. If testing criteria are met Mr. Nelson will receive at that time a pro rata benefit equal to the period of his contribution to the relevant shareholder returns.

Specifically, in relation to the 869,781 performance rights that might vest on 1 December 2015, the Board has determined that Mr Nelson would have contributed for 100% of the relevant period to any gains made by shareholders. In relation to the 972,292 performance rights that might vest on 1 December 2016, Mr Nelson would have contributed for 50% of the relevant period. The Board will not accelerate the vesting date of these incentive arrangements to which Mr Nelson may be entitled after his retirement. The Board will pay to Mr Nelson at the relevant time in 2015 and 2016 a cash amount equal to the value, if any, of the full or pro rata amount of the performance rights that would otherwise have vested on those dates.

Remuneration Report (Audited)

8. Details of total remuneration for senior executives calculated as required under the Corporations Act for FY14 and FY15 and a summary of realised remuneration for FY15

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 10. These details differ from the actual payments made to senior executives for the reporting period that are set out in Table 11.

Table 10: Senior executives' remuneration for FY14 and FY15 as required under the Corporations Act

	Short Term Employee Benefits			Share based payments		Other long term benefits			
Name & Year	**Fixed Remuneration [1]**	**Annual Leave**	**STI[4]**	**LTI Rights [5]**	**STI Rights [5]**	**Long Service Leave**	**Total**	**Total at risk**	**Total issued in equity**
	$	$	$	$	$	$	$	%	%
R J Cole									
2015	**473,659**	**28,500**	**-**	**-**	**-**	**2,492**	**504,651**	**0**	**0**
2014	-	-	-	-	-	-	-	-	-
N M Gibbins									
2015	**577,357**	**1,947**	**-**	**171,285**	**57,538**	**27,887**	**836,014**	**27**	**27**
2014	517,740	(1,804)	69,333	268,063	64,694	13,280	931,306	43	36
C G Jamieson [3]									
2015	**247,917**	**819**	**-**	**18,844**	**-**	**10,534**	**278,114**	**7**	**7**
2014	-	-	-	-	-	-	-	-	-
G M Moseby									
2015	**509,027**	**11,573**	**-**	**161,901**	**53,679**	**17,163**	**753,343**	**29**	**29**
2014	491,863	18,069	64,460	253,980	52,678	12,566	893,616	42	35
C L Oster									
2015	**465,700**	**(3,281)**	**-**	**120,916**	**50,531**	**18,735**	**652,601**	**26**	**26**
2014	451,032	(15,150)	60,889	142,862	32,858	12,704	685,195	34	25
K A Presser									
2015	**530,200**	**3,177**	**-**	**169,299**	**57,538**	**(12,790)**	**747,424**	**30**	**30**
2014	513,575	(18,607)	69,333	299,907	64,694	3,277	932,179	46	38
R A Rayner									
2015	**517,400**	**18,869**	**-**	**165,203**	**54,774**	**11,758**	**768,004**	**30**	**30**
2014	501,147	4,020	65,776	205,833	48,961	5,274	831,011	39	31
M R Squire [3]									
2015	**247,917**	**1,056**	**-**	**18,844**	**-**	**3,410**	**271,227**	**7**	**7**
2014	-	-	-	-	-	-	-	-	-
Former Senior Executives									
R G Nelson [2]									
2015	**907,124**	**10,732**	**-**	**628,582**	**300,718**	**23,296**	**1,870,452**	**50**	**50**
2014	1,320,063	10,515	361,765	1,035,808	259,389	34,005	3,021,545	55	43
S B Masters [6]									
2015	**222,316**	**(28,846)**	**-**	**(441,377)**	**(6,653)**	**1,091**	**(253,469)**	**N/A**	**N/A**
2014	491,124	10,612	66,302	253,980	61,865	19,881	903,764	43	35
TOTAL									
2015	**4,698,617**	**44,546**	**-**	**1,013,497**	**568,125**	**103,576**	**6,428,361**	**25**	**25**
2014	4,286,544	7,655	757,858	2,460,433	585,139	100,987	8,198,616	46	37

[1] Fixed remuneration comprises base salary and superannuation

[2] Mr Nelson's remuneration has been included up to an including the date that he ceased being a KMP on 9 March 2015

[3] Mr Jamieson's and Mr Squire's remuneration has only been included from their commencement as a KMP from 1 December 2014. As from this date each of their fixed remuneration increased to $425,000 per annum including superannuation.

(4) *No STI was awarded for FY15. 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**	
N M Gibbins	0%	100%	100%
C G Jamieson	0%	100%	100%
G M Moseby	0%	100%	100%
C L Oster	0%	100%	100%
K A Presser	0%	100%	100%
R A Rayner	0%	100%	100%
M R Squire	0%	100%	100%
R G Nelson	0%	100%	100%
S B Masters	0%	100%	100%

(5) *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 4 to the Financial Report.*

(6) *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 performance rights vesting over 2 subsequent years.*

Realised cash remuneration paid to Senior Executives in FY15

Beach believes that providing a summary in Table 11 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, particularly with the inclusion of accounting values for LTI performance rights 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 a 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 performance 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 performance rights issued from 2010 onwards that may not vest.

Remuneration Report (Audited)

Table 11: Realised cash remuneration of current senior executives for FY15 (non IFRS)

NAME	Gross	Super	STI - Cash Bonus	Other [1]	Total Cash
	$	$	$	$	**$**
R J Cole [2] *Managing Director*	363,536	17,867	-	92,256	**473,659**
N M Gibbins *Chief Operating Officer/EVP Australian Oil and International*	540,000	35,000	69,333	2,357	**646,690**
C G Jamieson [3] *Group Executive External Affairs*	230,478	15,689	-	1,750	**247,917**
G M Moseby *Group Executive Portfolio Management/ EVP Planning Management*	477,100	30,000	64,460	1,927	**573,487**
C L Oster *General Counsel/Joint Company Secretary/EVP Sustainability*	435,700	30,000	60,889	-	**526,589**
K A Presser *Chief Financial Officer/Company Secretary/EVP Corporate Services*	505,200	25,000	69,333	-	**599,533**
R A Rayner *Group Executive Commercial/EVP Australian Gas*	482,400	35,000	65,776	-	**583,176**
M R Squire [3] *Group Executive Corporate Development*	229,719	16,448	-	1,750	**247,917**
Total	**3,264,133**	**205,004**	**329,791**	**100,040**	**3,898,968**

(1) *Other remuneration includes allowances paid under the terms and conditions of employment.*

(2) *Mr Cole commenced on 10 March 2015 and his other allowances include a one-off relocation allowance.*

(3) *Mr Jamieson's and Mr Squire's remuneration has only been included from their commencement as a KMP from 1 December 2014. As from this date each of their fixed remuneration increased to $425,000 per annum including superannuation.*

9. Remuneration policy for non-executive directors

Table 12: Non-executive directors

Name	Position	
G S Davis	Chairman	
C D Beckett	Director	Appointed 2 April 2015
F R V Bennett	Director	
J C Butler	Director	
B C Robinson	Director	
D A Schwebel	Director	

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

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

The remuneration of Beach non-executive directors is within the aggregate annual limit of $1,300,000 approved by shareholders at the 2014 annual general meeting.

The remuneration for non-executive directors comprises directors' fees, board committee fees and superannuation contributions to meet Beach's statutory superannuation obligations. No fees were paid to directors for their membership of the Risk Committee in FY15. Mr Butler 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 13 and 14.

Table 13: Beach board and board committee fees for FY15 and FY14 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 FY14 and FY15	**250,000 / N/A**	**100,000**	**25,000**	**15,000**	**25,000**	**15,000**	**15,000**	**10,000**

[(1)] *The Chairman and Managing Director receive no additional fees for committee work.*
[(2)] *The Lead Independent Director also receives an annual fee of $10,000.*

10. Remuneration for non-executive directors

The nature and amount of remuneration for the financial year and the previous financial year of each non-executive director are detailed in Table 14.

Table 14: Non-executive directors' remuneration for FY14 and FY15

Beach	Year	Directors Fees $	Super Contribution [1] $	Total $
G S Davis	**2015**	**250,000**	**-**	**250,000**
	2014	250,000	-	250,000
C D Beckett	**2015**	**22,485**	**2,135**	**24,620**
(appointed 2 April 2015)	2014	-	-	-
F R V Bennett	**2015**	**118,721**	**11,279**	**130,000**
	2014	118,993	11,007	130,000
J C Butler	**2015**	**110,000**	**35,000**	**145,000**
	2014	123,570	11,430	135,000
B C Robinson	**2015**	**114,155**	**10,845**	**125,000**
	2014	114,416	10,584	125,000
D A Schwebel	**2015**	**99,155**	**25,845**	**125,000**
	2014	105,263	9,737	115,000
F G Moretti	**2015**	**-**	**-**	**-**
(Director until 30 June 2014)	2014	114,416	10,584	125,000
Total	**2014**	**714,516**	**85,104**	**799,620**
	2014	826,658	53,342	880,000

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

11. Other Remuneration disclosures required

Table 15: Key management personnel interests in shares, options and performance rights

The following table summarises the movements in shares, options and performance rights in the Company of KMP and their related entities for FY14 and FY15 and at the date of this report.

Movement	Shares	Employee Options	Performance Rights
G S Davis			
Balance 1 July 2013	116,077	-	-
FY14 – Issued under the terms of the DRP	3,199	-	-
FY15 – Issued under the terms of the DRP	2,863	-	-
Balance 30 June 2015	**122,139**	**-**	**-**
R G Nelson			
Balance 1 July 2013	3,711,823	5,221,000	4,946,556
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 – Exercise of Options	1,221,000	(1,221,000)	-
FY14 – Sold on market	(3,499,952)	-	-
FY14 – Options cancelled due to non-performance	-	(4,000,000)	-
FY15 – Issued under the terms of the DRP	63,864	-	-
FY15 – Issued STI Rights	-	-	211,559
FY15 – Shares issued upon vesting of Rights	377,557	-	(377,557)
FY15 – Sold on market	(450,000)	-	-
FY15 – Lapse of Rights	-	-	(966,851)
Balance 30 June 2015	**4,346,074**	**-**	**2,126,227**
C D Beckett			
FY15 – Initial holding	31,929	-	-
Balance 30 June 2015	**31,929**	**-**	**-**
F R V Bennett			
Balance 1 July 2013	-	-	-
FY14 – Shares acquired on market	30,075	-	-
Balance 30 June 2015	**30,075**	**-**	**-**
J C Butler			
Balance 1 July 2013	167,393	-	-
Balance 30 June 2015	**167,393**	**-**	**-**
B C Robinson			
Balance 1 July 2013	14,884	-	-
FY14 – Issued under the terms of the DRP	411	-	-
FY15 – Issued under the terms of the DRP	368	-	-
Balance 30 June 2015	**15,663**	**-**	**-**
D A Schwebel			
Balance 1 July 2013	-	-	-
FY14 – Shares acquired on market	74,860	-	-
Balance 30 June 2015	**74,860**	**-**	**-**

Movement	Shares	Employee Options	Performance Rights
N M Gibbins			
Balance 1 July 2013	941,067	221,519	1,276,654
FY14 – Issued STI Rights	-	-	25,508
FY14 – Issued LTI Rights	-	-	189,792
FY14 – Shares issued upon vesting of Rights	709,392	-	(709,392)
FY14 – Exercise of Options	221,519	(221,519)	-
FY14 – Sold on market	(335,000)	-	-
FY15 – Issued STI Rights	-	-	40,545
FY15 – Issued LTI Rights	-	-	278,316
FY15 – Shares issued upon vesting of Rights	108,268	-	(108,268)
FY15 – Lapse of Rights	-	-	(301,967)
Balance 30 June 2015	**1,645,246**	**-**	**691,188**
C G Jamieson			
FY15 – Initial holding	151,386	-	-
FY15 – Issued LTI Rights	-	-	205,712
Balance 30 June 2015	**151,386**	**-**	**205,712**
G M Moseby			
Balance 1 July 2013	549,923	221,519	1,155,138
FY14 – Issued STI Rights	-	-	24,392
FY14 – Issued LTI Rights	-	-	181,495
FY14 – Shares issue upon vesting of Rights	632,823	-	(632,823)
FY14 – Exercise of Options	221,519	(221,519)	-
FY14 – Sold on market	(930,132)	-	-
FY15 – Issued STI Rights	-	-	37,696
FY15 – Issued LTI Rights	-	-	245,451
FY15 – Shares issue upon vesting of Rights	83,386	-	(83,386)
FY15 – Sold on market	(245,019)	-	-
FY15 – Lapse of Rights	-	-	(288,766)
Balance 30 June 2015	**312,500**	**-**	**639,197**
C L Oster			
Balance 1 July 2013	433,859	121,520	595,952
FY14 – Issued STI Rights	-	-	22,402
FY14 – Issued LTI Rights	-	-	166,679
FY14 – Shares issue upon vesting of Rights	292,011	-	(292,011)
FY14 – Exercise of Options	121,520	(121,520)	-
FY14 – Sold on market	(605,724)	-	-
FY15 – Issued STI Rights	-	-	35,608
FY15 – Issued LTI Rights	-	-	225,412
FY15 – Shares issue upon vesting of Rights	42,543	-	(42,543)
FY15 – Lapse of Rights	-	-	(123,494)
Balance 30 June 2015	**284,209**	**-**	**588,005**

Movement	Shares	Employee Options	Performance Rights
K A Presser			
Balance 1 July 2013	800,000	1,184,178	1,618,858
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 – Exercise of Options	759,178	(759,178)	-
FY14 – Sold on market	(1,919,042)	-	-
FY14 – Options cancelled due to non-performance	-	(425,000)	-
FY15 – Issued STI Rights	-	-	40,545
FY15 – Issued LTI Rights	-	-	256,632
FY15 – Shares issue upon vesting of Rights	108,268	-	(108,268)
FY15 – Lapse of Rights	-	-	(301,967)
Balance 30 June 2015	**800,000**	**-**	**669,504**
R A Rayner			
Balance 1 July 2013	35,000	-	584,602
FY14 – Issued under the terms of the DRP	950	-	-
FY14 – Issued STI Rights	-	-	24,890
FY14 – Issued LTI Rights	-	-	185,199
FY14 – Shares issue upon vesting of Rights	62,135	-	(62,135)
FY15 – Issued under the terms of the DRP	1,814	-	-
FY15 – Issued STI Rights	-	-	38,465
FY15 – Issued LTI Rights	-	-	250,436
FY15 – Shares issue upon vesting of Rights	74,580	-	(74,580)
FY15 – Lapse of Rights	-	-	(294,659)
Balance 30 June 2015	**174,479**	**-**	**652,218**
M R Squire			
FY15 – Issued LTI Rights	-	-	205,712
Balance 30 June 2015	**-**	**-**	**205,712**
Total balance 30 June 2015	**8,155,953**	**-**	**5,777,763**
Total balance 1 July 2014	7,804,146	-	6,777,980

Remuneration Report (Audited)

Specific details of the number of LTI and STI performance rights issued, vested and lapsed in FY 15 for senior executives are set out below in Table 16.

Table 16: Details of LTI and STI Performance Rights

Name	Date of grant [2]	Performance rights on issue at 30 June 2014	Fair Value $	Granted	Vested [1]	Lapsed [2]	Performance rights on issue at 30 June 2015	Date performance rights first vest and become exercisable
R G Nelson	1 Dec 2011	966,851	1.411	-	-	(966,851)	-	1 Dec 2014
	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	72,595	1.112	-	(72,595)	-	-	1 July 2014
	30 Aug 2013	72,595	1.091	-	-	-	72,595	1 July 2015
	2 Dec 2013	972,292	0.672	-	-	-	972,292	1 Dec 2016
	1 Dec 2014	-	1.668	105,780	-	-	105,780	1 July 2015
	1 Dec 2014	-	1.601	105,779	-	-	105,779	1 July 2016
Total		**3,259,076**		**211,559**	**(377,557)**	**(966,851)**	**2,126,227**	
Total ($)				**345,793**	**357,326**	**1,364,227**		
N M Gibbins	1 Dec 2011	301,967	1.411	-	-	(301,967)	-	1 Dec 2014
	14 Sept 2012	95,514	0.912	-	(95,514)	-	-	1 July 2014
	21 Dec 2012	169,781	0.780	-	-	-	169,781	1 Dec 2015
	30 Aug 2013	12,754	1.112	-	(12,754)	-	-	1 July 2014
	30 Aug 2013	12,754	1.091	-	-	-	12,754	1 July 2015
	2 Dec 2013	189,792	0.672	-	-	-	189,792	1 Dec 2016
	1 Sept 2014	-	1.677	20,273	-	-	20,273	1 July 2015
	1 Sept 2014	-	1.636	20,272	-	-	20,272	1 July 2016
	1 Dec 2014	-	0.471	278,316	-	-	278,316	1 Dec 2017
Total		**782,562**		**318,861**	**(108,268)**	**(301,967)**	**691,188**	
Total ($)				**198,277**	**101,023**	**426,075**		
C G Jamieson	1 Dec 2014	-	0.471	205,712	-	-	205,712	1 Dec 2017
Total		**-**		**205,712**	**-**	**-**	**205,712**	
Total ($)				**96,911**	**-**	**-**		
G M Moseby	1 Dec 2011	288,766	1.411	-	-	(288,766)	-	1 Dec 2014
	14 Sept 2012	71,190	0.912	-	(71,190)	-	-	1 July 2014
	21 Dec 2012	162,359	0.780	-	-	-	162,359	1 Dec 2015
	30 Aug 2013	12,196	1.112	-	(12,196)	-	-	1 July 2014
	30 Aug 2013	12,196	1.091	-	-	-	12,196	1 July 2015
	2 Dec 2013	181,495	0.672	-	-	-	181,495	1 Dec 2016
	1 Sept 2014	-	1.677	18,848	-	-	18,848	1 July 2015
	1 Sept 2014	-	1.636	18,848	-	-	18,848	1 July 2016
	1 Dec 2014	-	0.471	245,451	-	-	245,451	1 Dec 2017
Total		**728,202**		**283,147**	**(83,386)**	**(288,766)**	**639,197**	
Total ($)				**178,075**	**78,231**	**407,449**		
C L Oster	1 Dec 2011	123,494	1.411	-	-	(123,494)	-	1 Dec 2014
	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	11,201	1.112	-	(11,201)	-	-	1 July 2014
	30 Aug 2013	11,201	1.091	-	-	-	11,201	1 July 2015
	2 Dec 2013	166,679	0.672	-	-	-	166,679	1 Dec 2016
	1 Sept 2014	-	1.677	17,804	-	-	17,804	1 July 2015
	1 Sept 2014	-	1.636	17,804	-	-	17,804	1 July 2016
	1 Dec 2014	-	0.471	225,412	-	-	225,412	1 Dec 2017
Total		**493,022**		**261,020**	**(42,543)**	**(123,494)**	**588,005**	
Total ($)				**165,176**	**40,804**	**174,250**		

Name	Date of grant [(2)]	Performance rights on issue at 30 June 2014	Fair Value $	Granted	Vested [(1)]	Lapsed [(2)]	Performance rights on issue at 30 June 2015	Date performance rights first vest and become exercisable
K A Presser	1 Dec 2011	301,967	1.411	-	-	(301,967)	-	1 Dec 2014
	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	12,754	1.112	-	(12,754)	-	-	1 July 2014
	30 Aug 2013	12,754	1.091	-	-	-	12,754	1 July 2015
	2 Dec 2013	189,792	0.672	-	-	-	189,792	1 Dec 2016
	1 Sept 2014	-	1.677	20,273	-	-	20,273	1 July 2015
	1 Sept 2014	-	1.636	20,272	-	-	20,272	1 July 2016
	1 Dec 2014	-	0.471	256,632	-	-	256,632	1 Dec 2017
Total		**782,562**		**297,177**	**(108,268)**	**(301,967)**	**669,504**	
Total ($)				**188,062**	**101,023**	**426,075**		
R A Rayner	1 Dec 2011	294,659	1.411	-	-	(294,659)	-	1 Dec 2014
	14 Sept 2012	62,135	0.912	-	(62,135)	-	-	1 July 2014
	21 Dec 2012	165,673	0.780	-	-	-	165,673	1 Dec 2015
	30 Aug 2013	12,445	1.112	-	(12,445)	-	-	1 July 2014
	30 Aug 2013	12,445	1.091	-	-	-	12,445	1 July 2015
	2 Dec 2013	185,199	0.672	-	-	-	185,199	1 Dec 2016
	1 Sept 2014	-	1.677	19,233	-	-	19,233	1 July 2015
	1 Sept 2014	-	1.636	19,232	-	-	19,232	1 July 2016
	1 Dec 2014	-	0.471	250,436	-	-	250,436	1 Dec 2017
Total		**732,556**		**288,901**	**(74,580)**	**(294,659)**	**652,218**	
Total ($)				**181,698**	**70,245**	**415,764**		
M R Squire	1 Dec 2014	-	0.471	205,712	-	-	205,712	1 Dec 2017
Total		**-**		**205,712**	**-**	**-**	**205,712**	
Total ($)				**96,911**	**-**	**-**		

[(1)] The rights that vested resulted in the issue of one share for each right as set out in table 16. No amount was paid for the issue of those shares.

[(2)] The lapsed rights were those granted on 1 December 2011. The value of the rights that lapsed during FY15 was $3,621,289 (FY14 $3,879,840). 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 that vested during FY15 were unexercisable at the end of the reporting period. The percentage of all rights that vested in the year and lapsed in the year for senior executives listed was 100%. All performance rights issued during the year are issued with a zero exercise price

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.

Transactions with other related parties

During the financial year ended 30 June 2015 , Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a principal. Beach paid $160,339 during the financial year (FY14: $239,045) to DMAW lawyers for legal and advisory services, of which $4,465 related to FY14. In addition to fees paid during the year a further $3,879 (FY14: $9,680) is payable to DMAW Lawyers as at 30 June 2015 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 2015 of $250,000 (FY14: $250,000) were also paid directly to DMAW Lawyers.

Directors' Declaration

1. In the directors' opinion:

   (a) the financial statements and notes set out on pages 54 to 94 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 2015 and of its performance for the financial year ended on that date; and

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

2. The attached financial statements are in compliance with International Financial Reporting Standards, as noted in the Basis of Preparation which forms part of the financial statements.

3. At the time of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 22 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 22.

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

G S Davis
Chairman

Adelaide
24 August 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2015

	Note	Consolidated 2015 $million	2014 $million
Sales revenue	2(a)	**727.7**	1,052.1
Cost of sales	3(a)	**(562.5)**	(639.9)
Gross profit		**165.2**	412.2
Other revenue	2(a)	**7.8**	5.6
Other income	2(b)	**6.7**	19.5
Other expenses	3(b)	**(828.1)**	(207.8)
Operating profit/(loss) before financing costs		**(648.4)**	229.5
Interest income	15	**8.5**	13.8
Finance expenses	15	**(15.1)**	(40.9)
Profit/(loss) before income tax expense		**(655.0)**	202.4
Income tax (expense)/benefit	5	**140.9**	(100.6)
Net profit/(loss) after tax		**(514.1)**	101.8
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets		**(24.2)**	17.7
Net (loss)/gain on translation of foreign operations		**45.2**	(5.9)
Tax effect relating to components of other comprehensive income	5	**3.7**	(4.8)
Other comprehensive income, net of tax		**24.7**	7.0
Total comprehensive income/(loss) after tax		**(489.4)**	108.8
Basic earnings per share (cents per share)	6	**(39.64¢)**	7.95¢
Diluted earnings per share (cents per share)	6	**(39.64¢)**	7.79¢

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Consolidated	
		2015 $million	2014 $million
Current assets			
Cash and cash equivalents		**170.2**	411.3
Receivables	17	**125.4**	126.9
Inventories	7	**114.6**	91.8
Derivative financial instruments	17	**1.1**	-
Other		**8.1**	7.9
Assets held for sale	25	**22.2**	-
Total current assets		**441.6**	637.9
Non-current assets			
Available-for-sale financial assets	17	**46.1**	70.3
Property, plant and equipment	8	**448.1**	440.7
Petroleum assets	9	**588.2**	872.1
Exploration and evaluation assets	10	**305.3**	541.7
Derivative financial instruments	17	**0.2**	-
Other financial assets		**6.9**	28.0
Total non-current assets		**1,394.8**	1,952.8
Total assets		**1,836.4**	2,590.7
Current liabilities			
Payables	17	**128.5**	160.0
Employee entitlements		**8.5**	7.7
Provisions	13	**5.3**	11.6
Current tax liabilities	5	**6.6**	65.4
Borrowings	15	**-**	143.0
Derivative financial instruments	17	**-**	13.3
Liabilities held for sale	25	**2.2**	-
Total current liabilities		**151.1**	401.0
Non-current liabilities			
Payables	17	**4.0**	-
Employee entitlements		**0.9**	0.8
Provisions	13	**150.2**	131.0
Deferred tax liabilities	5	**26.9**	187.1
Borrowings	15	**148.5**	-
Total non-current liabilities		**330.5**	318.9
Total liabilities		**481.6**	719.9
Net assets		**1,354.8**	1,870.8
Equity			
Contributed equity	18	**1,250.1**	1,239.9
Reserves	19	**273.4**	58.3
Retained earnings/(accumulated losses)		**(168.7)**	572.6
Total equity		**1,354.8**	1,870.8

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2015

	$million Contributed Equity	$million Retained Earnings / (Accumulated Losses)	$million Reserves	$million Total
Balance as at 30 June 2013	1,214.1	521.8	46.7	1,782.6
Profit for the year	-	101.8	-	101.8
Other comprehensive income	-	-	7.0	7.0
Total comprehensive income for the year	-	101.8	7.0	108.8
Transactions with owners in their capacity as owners:				
Shares issued during the year	25.8	-	-	25.8
Increase in share based payments reserve	-	-	4.6	4.6
Dividends paid (Note 20)	-	(51.0)	-	(51.0)
Transactions with owners	25.8	(51.0)	4.6	(20.6)
Balance as at 30 June 2014	1,239.9	572.6	58.3	1,870.8
Loss for the year	**-**	**(514.1)**	**-**	**(514.1)**
Other comprehensive income	**-**	**-**	**24.7**	**24.7**
Total comprehensive income/(loss) for the year	**-**	**(514.1)**	**24.7**	**(489.4)**
Transactions with owners in their capacity as owners:				
Shares issued during the year	**10.2**	**-**	**-**	**10.2**
Increase in share based payments reserve	**-**	**-**	**2.1**	**2.1**
Dividends paid (Note 20)	**-**	**(38.9)**	**-**	**(38.9)**
Transfer to profit distribution reserve (Note 19)	**-**	**(188.3)**	**188.3**	**-**
Transactions with owners	**10.2**	**(227.2)**	**190.4**	**(26.6)**
Balance as at 30 June 2015	**1,250.1**	**(168.7)**	**273.4**	**1,354.8**

The accompanying notes form part of these financial statements.

For the year ended 30 June 2015

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2015

	Note	Consolidated 2015 $million	Consolidated 2014 $million
Cash flows from operating activities			
Receipts from oil and gas operations		**720.2**	1,080.4
Operating and personnel costs paid		**(428.4)**	(494.6)
Interest received		**11.2**	15.1
Other receipts		**7.8**	6.1
Financing costs		**(7.8)**	(8.7)
Derivative payments		**-**	(0.6)
Income tax refund		**-**	8.7
Income tax paid		**(74.5)**	(23.8)
Net cash provided by operating activities	16	**228.5**	582.6
Cash flows from investing activities			
Payments for property, plant and equipment		**(90.2)**	(98.3)
Payments for petroleum assets		**(216.7)**	(213.7)
Payments for exploration		**(141.0)**	(188.4)
Payments for restoration		**(5.2)**	(3.7)
Acquisition of exploration interests		**(2.5)**	(1.5)
Payments for investments		**-**	(10.6)
Proceeds from sale of joint venture interests		**-**	20.9
Proceeds from sale of non-current assets		**0.4**	3.7
Reimbursement of exploration expenditure		**12.9**	-
Net cash used in investing activities		**(442.3)**	(491.6)
Cash flows from financing activities			
Proceeds from the exercise of options		**-**	3.8
Proceeds from drawdown of debt		**150.0**	-
Repayment of convertible notes		**(150.0)**	-
Repayment of Employee Incentive Loans		**0.8**	1.7
Dividends paid		**(29.5)**	(30.7)
Net cash used in financing activities		**(28.7)**	(25.2)
Net increase/(decrease) in cash held		**(242.5)**	65.8
Cash at beginning of financial year		**411.3**	347.6
Effects of exchange rate changes on the balances of cash held in foreign currencies		**1.4**	(2.1)
Cash at end of financial year		**170.2**	411.3

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 2015

Basis of preparation

This section sets out the basis upon which the Group's (comprising Beach and its subsidiaries) financial statements are prepared as a whole. The structure and format of the current year financial statements (including comparatives) has been updated to improve their readability. Significant accounting policies and key judgements and estimates of the Group that summarise the measurement basis used and assist in understanding the financial statements are described in the relevant note to the financial statements or are otherwise provided in this section.

Beach Energy Limited (Beach) is a for profit company limited by shares, incorporated in Australia and whose shares are publicly listed on the Australian Securities Exchange (ASX). The nature of the Group's operations are described in the segment note. The consolidated general purpose financial report of the Group for the financial year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 24 August 2015.

This general purpose financial report

- has been prepared in accordance with Australian Accounting Standards adopted by 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.
- has been prepared on an accruals basis and is based on the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss or other comprehensive income.
- is presented in Australian dollars with all amounts rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with Class Order 98 / 100 issued by the Australian Securities and Investment Commission.
- has been prepared by consistently applying all accounting policies to all the financial years presented, unless otherwise stated.
- has been prepared by reclassifying comparative information to be consistent with the presentation in the current year where required by Accounting Standards or arising through changes in disclosure (refer note 17).

Notes to the financial statements

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

Key judgements and estimates

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

Note 5 – Taxation	Note 8 - Property, plant and equipment
Note 9 - Petroleum assets	Note 10 - Exploration and evaluation assets
Note 12 - Impairment of non-financial assets	Note 13 – Provisions

Basis of consolidation

The consolidated financial statements are those of Beach and its subsidiaries (detailed in Note 21). Subsidiaries are those entities that Beach controls as it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

In preparing the consolidated financial statements, all transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Basis of preparation (continued)

Foreign currency

Both the functional and presentation currency of Beach is Australian dollars. Some subsidiaries have different functional currencies which are translated to the presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the profit or loss. 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.

Foreign exchange differences that arise on the translation of monetary items that form part of the net investment in a foreign operation are recognised in equity in the consolidated financial statements.

Revenues, expenses and equity items of foreign operations are translated to Australian dollars using the exchange rate at the date of transaction while assets and liabilities are translated using the rate at balance date with differences recognised directly in the Foreign Currency Translation Reserve.

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

The adoption of these new and revised Australian Accounting Standards and Interpretations has had no significant impact on the group's accounting policies or the amounts reported during the financial year.

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

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

Year ended 30 June 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: AASB 15: Revenue from Contracts with Customers

This standard will change the timing and in some cases the quantum of revenue recognised from customers. AASB 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 is 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 Group.

Year ended 30 June 2019: AASB 9: Financial Instruments

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

Results for the year

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

1. Operating segments

The Group has identified its operating segments to be its Cooper Basin, Other Australia and International interests based on the different geographical regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Managing Director for assessing performance and determining the allocation of resources within the Group.

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

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

Cooper Basin 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 2015 and 30 June 2014 are set out as follows:

1. Operating segments (continued)

	Cooper Basin		Other Australia		International		Total	
	2015 $million	2014 $million	**2015 $million**	2014 $million	**2015 $million**	2014 $million	**2015 $million**	2014 $million
Segment revenue								
Oil and gas sales	**716.8**	1,046.0	**-**	-	**10.9**	6.1	**727.7**	1,052.1

During the year revenue from three customers amounted to $497.5 million (2014: $794.3 million from two customers) arising from sales from the Cooper Basin segment.

	Cooper Basin 2015	Cooper Basin 2014	Other Australia 2015	Other Australia 2014	International 2015	International 2014	Total 2015	Total 2014
Segment results								
Gross segment result before depreciation, amortisation and impairment	**381.6**	596.1	**(1.9)**	(1.9)	**5.9**	1.7	**385.6**	595.9
Depreciation and amortisation	**(212.3)**	(177.7)	**-**	-	**(8.1)**	(6.0)	**(220.4)**	(183.7)
Impairment Loss	**(583.2)**	-	**-**	(13.6)	**(205.9)**	(148.6)	**(789.1)**	(162.2)
	(413.9)	418.4	**(1.9)**	(15.5)	**(208.1)**	(152.9)	**(623.9)**	250.0
Other revenue							**7.8**	5.6
Other income							**6.7**	19.5
Net financing costs							**(6.6)**	(27.1)
Other expenses							**(39.0)**	(45.6)
Profit/(loss) before tax							**(655.0)**	202.4
Income tax expense							**140.9**	(100.6)
Net profit/(loss) after tax							**(514.1)**	101.8
Segment assets	**1,336.2**	1,673.1	**98.0**	81.9	**55.1**	200.8	**1,489.3**	1,955.8
Total corporate and unallocated assets							**347.1**	634.9
Total consolidated assets							**1,836.4**	2,590.7
Segment liabilities	**218.8**	229.4	**34.2**	34.9	**5.3**	5.0	**258.3**	269.3
Total corporate and unallocated liabilities							**223.3**	450.6
Total consolidated liabilities							**481.6**	719.9
Additions and acquisitions of non current assets								
Exploration and evaulation assets	**99.4**	127.7	**19.1**	37.7	**18.9**	32.0	**137.4**	197.4
Petroleum assets	**213.2**	227.3	**-**	-	**8.3**	12.5	**221.5**	239.8
Other land, buildings plant and equipment	**68.7**	86.5	**-**	-	**3.8**	1.7	**72.5**	88.2
	381.3	441.5	**19.1**	37.7	**31.0**	46.2	**431.4**	525.4
Total corporate and unallocated assets							**15.0**	13.1
Total additions and acquisitions of non current assets							**446.4**	538.5

	Australia		Egypt		Other Countries		Total	
	2015 $million	2014 $million	**2015 $million**	2014 $million	**2015 $million**	2014 $million	**2015 $million**	2014 $million
Non-current assets *	**1,309.5**	1,655.3	**-**	142.1	**32.1**	57.1	**1,341.6**	1,854.5

*excluding financial assets

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

2. Revenue and Other income

The Group's revenue is derived primarily from the sale of gas and liquid hydrocarbons. Sales revenue is recognised on the basis of the Group'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 relevant pipeline.

		Consolidated	
		2015 $million	2014 $million
(a)	**Revenue**		
	Crude oil	**538.9**	857.3
	Gas and gas liquids	**188.8**	194.8
	Sales revenue	**727.7**	1,052.1
	Other revenue	**7.8**	5.6
	Total revenue	**735.5**	1,057.7
(b)	**Other income**		
	Gain on sale of non-current assets	**0.7**	3.3
	Gain on sale of joint operation interests	**-**	15.7
	Gain on commodity hedging	**1.2**	-
	Foreign exchange gains	**4.8**	-
	Insurance proceeds	**-**	0.5
	Total other income	**6.7**	19.5

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

3. Expenses

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

		Consolidated	
		2015 $million	2014 $million
(a)	**Cost of sales**		
	Operating costs	**175.0**	166.9
	Carbon cost	**-**	17.4
	Royalties	**54.2**	79.2
	Total operating costs	**229.2**	263.5
	Depreciation of property, plant and equipment	**44.4**	39.9
	Amortisation of petroleum assets	**176.0**	143.8
	Total amortisation and depreciation for operations	**220.4**	183.7
	Third party oil and gas purchases	**138.1**	204.3
	Change in inventory	**(25.2)**	(11.6)
	Total cost of sales	**562.5**	639.9
(b)	**Other expenses**		
	Impairment		
	Impairment of other financial assets	**36.0**	-
	Impairment of property, plant & equipment	**21.6**	-
	Impairment of petroleum assets	**370.8**	-
	Impairment of exploration	**360.7**	162.2
	Total impairment loss (Note 12)	**789.1**	162.2
	Other		
	Employee benefits expense (Note 4)	**20.0**	26.9
	Foreign exchange losses	**-**	3.7
	Loss on commodity hedging	**-**	0.6
	Depreciation of property, plant and equipment	**1.9**	1.3
	Corporate development costs	**3.2**	2.9
	Corporate expenses	**13.9**	10.2
	Other expenses	**39.0**	45.6
	Total other expenses	**828.1**	207.8

4. Employment benefits

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

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

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

Equity settled compensation:

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

The following employee shares are currently on issue	Number	Issue price	Fair value ($million)
Balance as at 30 June 2013	14,412,517		
Issued during the financial year – 29 August 2013	121,935	$1.364	0.1
Sold / loan repaid during the financial year	(1,667,903)		
Balance as at 30 June 2014	**12,866,549**		
Sold / loan repaid during the financial year	(713,600)		
Balance as at 30 June 2015	**12,152,949**		

During the financial year, no shares were issued to employees pursuant to this plan. In the prior year, 121,935 shares were issued and fair valued at $102,193 based on a 10 year loan term, risk free rate of 3.91%, share price of $1.364 and volatility of 44.7%.

The closing ASX share price of Beach fully paid ordinary shares at 30 June 2015 was $1.05 as compared to $1.68 as at 30 June 2014.

4. Employment benefits (continued)

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

Movements in unlisted performance rights are set out below:

	2015 number	2014 number
Balance at beginning of period	**7,526,330**	11,767,747
Issued during the period	**2,072,089**	2,359,026
Cancelled during the period	**(2,922,520)**	(4,773)
Vested during the period	**(898,136)**	(6,595,670)
Balance at end of period	**5,777,763**	7,526,330

In the current financial year, Beach issued 404,418 unlisted performance rights pursuant to the Executive Incentive Plan for the 2013 short term incentive offer. Half of these unlisted performance rights vest 1 July 2015 with the balance vesting on 1 July 2016 subject to the holder of the performance rights remaining employed with Beach on the vesting dates. On 1 December 2014, Beach issued a further 1,667,671 Long Term Incentive unlisted performance rights under the Executive Incentive Plan. These performance rights, which expire on 30 November 2019, are exercisable for nil consideration and are not exercisable before 1 December 2017.

	Consolidated	
	2015 $million	2014 $million
Employee benefits expense		
Short term benefits	**14.3**	19.5
Post employment benefits	**3.6**	2.8
Share based payments	**2.1**	4.6
Total	**20.0**	26.9

5. Taxation

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

	Consolidated	
	2015 $million	2014 $million
Recognised in the statement of profit or loss		
Current tax expense		
Current financial year tax expense	**19.1**	77.6
Over provision in the prior year	**(8.7)**	(18.2)
Other	**5.2**	0.4
Total current tax expense	**15.6**	59.8
Deferred tax expense		
Origination and reversal of temporary differences	**(157.0)**	31.2
Under/(Over) provision in the prior year	**0.8**	9.6
Other	**(0.3)**	-
Total deferred tax expense	**(156.5)**	40.8
Total income tax expense	**(140.9)**	100.6
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/(loss) before income tax expense	**(655.0)**	202.4
Prima facie income tax expense/(benefit) using an income tax rate at 30% (2014: 30%)	**(196.5)**	60.7
Adjustment to income tax expense due to:		
Non-deductible expenses	**0.9**	1.5
Losses of controlled foreign entities not recognised	**62.9**	46.2
Adjustment to income tax expense due to:		
Foreign tax impact	-	1.0
Other	**(0.3)**	(0.2)
Over provision in the prior year	**(7.9)**	(8.6)
Income tax expense on pre-tax profit	**(140.9)**	100.6

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

	2015			2014		
Group	**Before tax amount**	**Tax benefit**	**Net of tax amount**	Before tax amount	Tax (expense)	Net of tax amount
Available for sale financial assets	**(24.2)**	**3.7**	**(20.5)**	17.7	(4.8)	12.9
Exchange difference on translating foreign controlled entities	**45.2**	**-**	**45.2**	(5.8)	-	(5.8)

5. Taxation (continued)

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

Movement in Group deferred tax balances ($million)

Current financial year	Balance 1 July 2014	Recognised in income	Recognised in OCI	Balance 30 June 2015	Deferred Tax Asset	Deferred Tax Liability
Property, plant and equipment	**(227.6)**	**148.8**	**-**	**(78.8)**	**22.3**	**(101.1)**
Investments	**(11.4)**	**7.1**	**3.7**	**(0.6)**	**-**	**(0.6)**
Provisions	**42.7**	**4.0**	**-**	**46.7**	**46.7**	**-**
Employee benefits	**2.5**	**(0.1)**	**-**	**2.4**	**2.4**	**-**
Other Items	**4.8**	**(3.7)**	**-**	**1.1**	**10.1**	**(9.0)**
Tax value of losses carried forward	**0.7**	**(0.7)**	**-**	**-**	**-**	**-**
Inventories	**1.2**	**1.1**	**-**	**2.3**	**3.9**	**(1.6)**
Tax assets/(liabilities) before set-off	**(187.1)**	**156.5**	**3.7**	**(26.9)**	**85.4**	**(112.3)**
Set-off of deferred tax assets in Australia					**(85.4)**	**85.4**
Net deferred tax assets/(liabilities)					**-**	**(26.9)**

Previous financial year	Balance 1 July 2013	Recognised in income	Recognised in OCI	Balance 30 June 2014	Deferred Tax Asset	Deferred Tax Liability
Property, plant and equipment	(176.3)	(51.3)	-	(227.6)	2.3	(229.9)
Investments	(7.9)	1.2	(4.7)	(11.4)	-	(11.4)
Provisions	34.7	8.0	-	42.7	42.7	-
Employee benefits	2.1	0.4	-	2.5	2.5	-
Other Items	2.7	2.1	-	4.8	12.4	(7.6)
Tax value of losses carried forward	1.9	(1.2)	-	0.7	0.7	-
Inventories	1.2	-	-	1.2	3.3	(2.1)
Tax assets/(liabilities) before set-off	(141.6)	(40.8)	(4.7)	(187.1)	63.9	(251.0)
Set-off of deferred tax assets in Australia					(63.9)	63.9
Net deferred tax assets/(liabilities)					-	(187.1)

Petroleum Resource Rent Tax (PRRT): 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 2014 financial year, Beach applied for and was granted a PRRT combination certificate by 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 has also enacted legislation which will enable contract liabilities with third parties to be apportioned based on the extent that the expenditure relates to the petroleum project.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

5. Taxation (continued)

Due to the substantial value of carry forward deductible PRRT expenditure at 30 June 2015, 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 2015.

	Consolidated	
	2015 $million	2014 $million
Deferred tax assets have not been recognised in respect of the following items:		
Contingent consideration on sale of controlled entity	-	1.4
Tax losses (capital)	**11.5**	10.3
Foreign tax losses (revenue)	**24.0**	15.2
PRRT (net of income tax)	**1,057.3**	796.7
Total	**1,092.8**	823.6

These taxation benefits will only be obtained if assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised; conditions for deductibility imposed by the law are complied with; and no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

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.

6. Earnings per share (EPS)

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

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

	2015 $million	2014 $million
Basic EPS	**(514.1)**	101.8
After tax interest saving on convertible notes assuming conversion	-	4.1
Diluted EPS	**(514.1)**	105.9

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

	2015 Number	2014 Number
Basic EPS	**1,297,076,016**	1,279,624,315
Convertible notes	-	77,704,509
Share rights	**1,379,865**	2,858,098
Diluted EPS	**1,298,455,881**	1,360,186,922

4,397,898 (2014: 4,668,232) potential ordinary shares relating to performance rights were not considered dilutive during the period as vesting would not have occurred based on the status of the required vesting conditions at the end of the relevant reporting period and so have been excluded from the calculation of diluted EPS. Since the end of the current financial year and before the completion of this report, 441,935 ordinary shares were issued upon vesting of unlisted performance rights issued pursuant to the Beach Energy Limited Executive Incentive Plan.

Capital Employed

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

7. Inventories

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

(i) Drilling and maintenance stocks, which include plant spares, consumables, maintenance and drilling tools used for ongoing operations, are valued at weighted average cost; and

(ii) Petroleum products, which comprise extracted crude oil, liquefied petroleum gas, condensate and naphtha stored in tanks and pipeline systems and process sales gas and ethane stored in sub-surface reservoirs, are valued using the absorption cost method in a manner which approximates specific identification.

	Consolidated	
	2015 $million	2014 $million
Petroleum products	**98.7**	77.1
Drilling and maintenance stocks	**29.5**	26.4
Less provision for obsolesence	**(13.6)**	(11.7)
Total current inventories at lower of cost and net realisable value	**114.6**	91.8
Petroleum products included above which are stated at net realisable value	**80.7**	55.2

8. Property, plant and equipment (PPE)

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

The depreciable amount of all PPE excluding freehold land is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Production facilities, field equipment and buildings are depreciated based on the proved and probable hydrocarbon reserves.

The depreciation rates used in the current and previous period for each class of depreciable asset are

- 2% for the corporate head office building
- 5-33% for other equipment
- Life of the area according to the rate of depletion of the proved and probable hydrocarbon reserves for production facilities and field buildings and equipment.

8. Property, plant and equipment (PPE) (continued)

	Consolidated	
	2015 $million	2014 $million
Land and buildings		
Land and buildings at cost	**58.9**	42.3
Less accumulated depreciation	**(15.1)**	(13.5)
Total land and buildings	**43.8**	28.8
Reconciliation of movement in land and buildings:		
Balance at beginning of financial year	**28.8**	16.2
Additions	**16.7**	15.5
Disposals	**-**	(1.8)
Depreciation expense	**(1.7)**	(1.1)
Total land and buildings	**43.8**	28.8

	2015 $million	2014 $million
Production facilities, field and other equipment		
Production facilities and field equipment	**801.6**	750.9
Production facilities and field equipment under construction	**37.5**	52.6
Less accumulated depreciation	**(434.8)**	(391.6)
Total production facilities and field equipment	**404.3**	411.9
Reconciliation of movement in production facilities and field equipment:		
Balance at beginning of financial year	**411.9**	366.7
Additions	**70.8**	85.8
Disposals	**-**	(0.3)
Transfer to exploration and evaluation expenditure	**(1.5)**	-
Impairment of production facilities and field equipment (Note 12)	**(21.6)**	-
Reclassification to assets held for sale (Note 25)	**(12.9)**	-
Depreciation expense	**(44.6)**	(40.1)
Foreign exchange movement	**2.2**	(0.2)
Total production, facilities and field equipment	**404.3**	411.9
Total property, plant and equipment	**448.1**	440.7

9. Petroleum Assets

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

	Consolidated	
	2015 $million	2014 $million
Petroleum assets at cost	**1,399.0**	1,570.7
Petroleum assets under construction	**167.1**	118.1
Less accumulated amortisation	**(977.9)**	(816.7)
Total petroleum assets	**588.2**	872.1
Reconciliation of movement in petroleum assets		
Balance at beginning of financial year	**872.1**	714.4
Additions	**212.1**	224.5
Increase in restoration	**9.4**	15.3
Transfer from exploration and evaluation expenditure	**26.9**	66.6
Reclassification to assets held for sale (Note 25)	**(1.3)**	-
Impairment of petroleum assets (Note 12)	**(370.8)**	-
Disposals	**-**	(4.5)
Amortisation expense	**(176.0)**	(143.8)
Foreign exchange movement	**15.8**	(0.4)
Total petroleum assets	**588.2**	872.1

10. Exploration and evaluation assets

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 proved and probable hydrocarbon reserves. A bi-annual review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs. All exploration and evaluation expenditure is 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 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 proved and probable hydrocarbon reserves.

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 proved and probable hydrocarbon reserves and management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount is written off through the profit or loss. Retention of exploration assets is subject to meeting certain work obligations/exploration commitments (Note 14).

	Consolidated	
	2015 $million	2014 $million
Exploration and evaluation areas at beginning of financial year (net of amounts written off)	**541.7**	579.4
Additions	**131.3**	195.2
Increase in restoration	**3.6**	0.9
Acquisitions of joint venture interests	**2.5**	1.3
Transfer to petroleum assets	**(26.9)**	(66.6)
Transfer from property, plant & equipment	**1.5**	-
Reimbursement of exploration expenditure	**(12.9)**	-
Impairment of exploration expenditure (Note 12)	**(360.7)**	(162.2)
Disposal of joint venture interests	**-**	(1.5)
Foreign exchange movement	**25.2**	(4.8)
Total exploration and evaluation assets	**305.3**	541.7

11. Interests in joint operations

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

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

Joint Operation	Principal activities	% interest	
		2015	2014
Oil and Gas interests			
Abu Sennan	Oil production and exploration	**22.0**	22.0
Block 28	Oil exploration	**-**	30.0
Naccowlah Block	Oil production	**38.5**	38.5
North Shadwan	Oil production and exploration	**20.0**	20.0
PEL 31,32,47	Oil production	**100.0**	100.0
Ex PEL 91 (PRLs 151-172)	Oil production	**40.0**	40.0
Ex PEL 92 (PRLs 85-104)	Oil production	**75.0**	75.0
Ex PEL 104 (PRLs 15,136-141)	Oil production	**40.0**	40.0
Ex PEL 106 (PRLs 129-130)	Gas exploration	**50.0**	50.0
Ex PEL 218 (PRLs 33-49) (Permian) (1)	Shale gas exploration	**70.0**	70.0
ATP 855(2)	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

(1) 100% upon reassignment by Chevron of 30%

(2) 64.9% upon reassignment by Chevron of 18%

Details of commitments and contingent liabilities incorporating the Group's interests in joint operations are shown in Notes 14 and 26 respectively.

12. Impairment of non-financial assets

The carrying value of the Group's assets, other than inventories and deferred tax assets are reviewed on a bi-annual basis 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 CGU is the smallest grouping of assets that generates independent cash inflows, and generally represents an area of interest. Impairment losses recognised in respect of CGU's are allocated to reduce the carrying amount of the assets on a pro-rata basis. An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

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.

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

- Brent oil price of US$62.5/bbl in FY16, US$75/bbl in FY17, US$85/bbl in FY18 and US$90/bbl beyond FY18
- A$/US$ exchange rate of 0.80 in all years.
- Inflation rate – both revenue and costs have not been inflated
- Where appropriate the cash flow inputs have been adjusted to reflect identifiable uncertainty and risk.
- Pre-tax real discount rate of 8% (2014: 8%-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 CGU to which the asset belongs.

For the financial year ended 30 June 2015, the Group assessed each CGU to determine whether an indicator of impairment existed. Indicators of impairment include changes in future selling prices, future costs and reserves. As a result, the recoverable amounts of the CGU's and some specific oil and gas assets were formally assessed, resulting in the recognition of an impairment loss of $583.2 million for Cooper Basin assets and $173.7 million for Egyptian assets, on an area of interest basis and reflecting the current environment of lower oil prices and decision to sell the Egyptian assets, while the value of Romanian interests have been impaired from $32.2 million to nil, with no further exploration scheduled. In the previous financial year, International exploration assets in the Egypt area of interest were impaired by $148.6 million, reflecting risked mean outcomes, and Other Australian exploration assets were impaired by $13.6 million.

Reconciliation of Impairment expense for the current financial year ($million)

	Note	Cooper	Egypt	Romania	Total
Property, plant and equipment	8	21.6	-	-	21.6
Petroleum assets	9	287.2	83.6	-	370.8
Exploration and evaluation assets	10	238.4	90.1	32.2	360.7
Other financial assets		36.0	-	-	36.0
Total impairment expense		**583.2**	**173.7**	**32.2**	**789.1**

All impairment write-downs have been recognised within other expenses in the profit or loss.

Estimates of reserve quantities

The estimated quantities of proved and probable hydrocarbon reserves reported by the Group are integral to the calculation of amortisation (depletion), depreciation expense and to assessments of possible impairment. 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.

13. Provisions

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

Estimate of restoration costs

As in most instances restoration will occur many years in the future, management is required to make judgements regarding estimated future costs of restoration, taking into account estimated timing of restoration activities, planned environmental legislation, the extent of restoration activities and future removal technologies.

	Consolidated	
	2015 $million	2014 $million
Current		
Carbon	**-**	6.4
Restoration	**5.3**	5.2
Total	**5.3**	11.6
Non-Current		
Restoration	**150.2**	131.0

Movement in the Group's provisions are set out below:	**Carbon tax $million**	**Restoration $million**
Balance at 1 July 2014	**6.4**	**136.2**
Provision made during the year	-	**13.0**
Provision paid/used during the year	**(6.4)**	**(5.2)**
Reclassification to liabilities held for sale	-	**(0.3)**
Unwind of discount	-	**11.8**
Balance at 30 June 2015	-	**155.5**

Following the repeal of the carbon tax effective 1 July 2014, the remaining carbon tax liability for the year ened 30 June 2014 was paid during the current financial year.

14. Commitments for expenditure

	Consolidated	
	2015 $million	2014 $million
Capital Commitments		
The Group has contracted the following amounts for capital expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.		
Due within 1 year	**40.4**	90.2
Due within 1-5 years	**-**	-
Due later than 5 years	**-**	-
	40.4	90.2
Minimum Exploration Commitments		
The Group is required to meet minimum expenditure requirements of various government regulatory bodies and joint arrangements. These obligations may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.		
Due within 1 year	**36.8**	15.3
Due within 1-5 years	**79.1**	98.4
Due later than 5 years	**-**	-
	115.9	113.7

The Group's share of the above commitments that relate to its interest in joint arrangement are $39.5 million (2014: $90.2 million) for capital commitments and $108.3 million (2014: $113.7 million) for minimum exploration commitments.

Operating Commitments		
The Group has contracted the following amounts for operating expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.		
Due within 1 year	**15.7**	12.5
Due within 1-5 years	**-**	-
Due later than 5 years	**-**	-
	15.7	12.5

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

Financial and Risk Management

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

15. Finances and Borrowings

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

	Consolidated	
	2015 $million	2014 $million
Net finance expenses/(income)		
Finance costs	**4.8**	4.8
Interest expense	**6.0**	5.9
Unrealised movement in the value of convertible note conversion rights	**(13.3)**	14.3
Discount unwinding on convertible note	**5.8**	6.1
Discount unwinding on provision for restoration (Note 13)	**11.8**	9.8
Total finance expenses	**15.1**	40.9
Interest income	**(8.5)**	(13.8)
Net finance expenses	**6.6**	27.1
Borrowings		
Current (convertible notes)	**-**	143.0
Non-current (bank debt)	**148.5**	-
Total borrowings	**148.5**	143.0

On 3 April 2012, Beach issued A$150 million of convertible notes (Notes). The Notes carried a fixed coupon rate of 3.95% per annum, payable semi-annually in arrears, for a term of five years. They ranked as senior unsecured obligations of Beach and were listed on the Singapore Securities Exchange. Note Holders exercised their right to have the Notes redeemed at the issue price together with accrued interest on the third anniversary of issue being 3 April 2015.

In 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. In October 2014, the letter of credit facility was increased to $30m of which $19.5 million had been utilised by way of bank guarantees as at 30 June 2015. The $150 million five year revolving loan facility was fully drawn down in April 2015 to repay the Notes and has a maturity date of 31 July 2018. As at 30 June 2015, the $150 million three year revolving loan facility remained undrawn with a maturity date of 31 July 2016. Bank debt bears interest at the relevant reference rate plus a margin.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

16. Cash flow reconciliation

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

	Consolidated 2015 $million	Consolidated 2014 $million
Reconciliation of net profit to net cash provided by operating activities:		
Net profit after tax	**(514.1)**	101.8
Less items classified as investing/financing activities:		
- Gain on disposal of non-current assets	**(0.7)**	(3.3)
- Recognition of deferred tax assets/(liability) on items direct in equity	**3.7**	(4.8)
- Gain on disposal of joint operation interests	**-**	(15.7)
	(511.1)	78.0
Add/(less) non-cash items:		
- Share based payments	**2.1**	4.6
- Depreciation and amortisation	**222.3**	184.9
- Impairment expenses	**789.1**	162.2
- Unrealised hedging (gain)/loss	**(0.2)**	1.2
- Discount unwinding on convertible note	**5.8**	6.1
- Discount unwinding on provision for restoration	**11.8**	9.8
- Unrealised movement in the value of convertible note conversion rights	**(13.3)**	14.3
- Provision for stock obsolesence movement	**2.0**	(1.8)
- Other	**2.9**	0.3
Net cash provided by operating activities before changes in assets and liabilities	**511.4**	459.6
Changes in assets and liabilities net of acquisitions / disposal of subsidiaries:		
- Decrease/(increase) in trade and other receivables	**(6.3)**	54.7
- Increase in inventories	**(24.8)**	(13.8)
- Increase in other current assets	**(4.4)**	(0.2)
- Increase/(decrease) in provisions	**(5.4)**	5.9
- Increase/(decrease) in current tax liability	**(58.9)**	36.0
- Increase/(decrease) in deferred tax liability	**(160.2)**	45.4
- Increase in other non-current assets	**(3.3)**	(7.2)
- Increase/(decrease) in trade and other payables	**(19.6)**	2.2
Net cash provided by operating activities	**228.5**	582.6

17. Financial risk management

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

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

Financial instruments are initially measured at fair value 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 profit or loss in the period in which they arise.

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

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

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

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

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

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

(a) Fair values

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

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

17. Financial risk management (continued)

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

		Carrying amount									
		Fair value – derivatives		Loans and receivables		Available-for-sale		Other financial assets/liabilities		Total	
		2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	Note	**$million**	$million	**$million**	$million	**$million**	$million	**$million**	$million	**$million**	$million
Financial assets											
Measured at fair value											
Derivatives		**1.3**	-	**-**	-	**-**	-	**-**	-	**1.3**	-
Available-for-sale		**-**	-	**-**	-	**46.1**	70.3	**-**	-	**46.1**	70.3
		1.3	-	**-**	-	**46.1**	70.3	**-**	-	**47.4**	70.3
Not measured at fair value											
Cash		-	-	-	-	**-**	-	**170.2**	411.3	**170.2**	411.3
Receivables		**-**	-	**125.4**	126.9	**-**	-	**-**	-	**125.4**	126.9
Other		**-**	-	**-**	-	**-**	-	**15.0**	36.0	**15.0**	35.9
		-	-	**125.4**	126.9	**-**	-	**185.2**	447.3	**310.6**	574.1
Financial liabilities											
Measured at fair value											
Borrowings (Notes)	15	**-**	-	**-**	-	**-**	-	**-**	143.0	**-**	143.0
Derivatives (Notes)	15	**-**	13.3	**-**	-	**-**	-	**-**	-	**-**	13.3
		-	13.3	**-**	-	**-**	-	**-**	143.0	**-**	156.3
Not measured at fair value											
Payables		**-**	**-**	**-**	**-**	**-**	-	**132.5**	160.0	**132.5**	160.0
Borrowings (Debt)	15	**-**	-	**-**	-	**-**	-	**148.5**	-	**148.5**	-
		-	**-**	**-**	-	**-**	**-**	**281.0**	160.0	**281.0**	160.0

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Derivative financial instruments

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

Available-for-sale financial assets

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

Convertible notes

In April 2012, Beach issued A$150 million of Convertible Notes (Notes) which were convertible into Beach Ordinary Shares until March 2017. The conversion rights could 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 was subject to the conversion price which could be reset under certain circumstances. Accordingly, the conversion rights were a derivative financial liability and were marked to market. Each reporting period the conversion rights were fair valued using a range of observable inputs (Level 2). The allocation of the convertible note liability between borrowings and the conversion rights was reassessed and a reallocation of $15.9 million reflected at 30 June 2014. In addition, unrealised gains or losses on the movement in the value of the convertible note conversion rights were reclassified from other income/expense to financing costs (including comparatives) as these amounts effectively formed part of the overall financing arrangement. Following the full cash redemption of the notes (including accrued intetrest) on the investor put date of 3 April 2015, being the third anniversary of their issue, the conversion rights were fair valued to nil through the profit or loss.

17. Financial risk management (continued)

The allocation of the convertible note liability between borrowings and the conversion rights was reassessed during the period with a reallocation of $15.9 million being reflected at 30 June 2014. In addition, unrealised gains or losses on the movement in the value of the convertible note conversion rights have been reclassified from other income/expense to financing costs (including comparatives) as these amounts effectively form part of the overall financing arrangement.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2015 and there have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2015.

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

(b) Market Risk

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

The Group is exposed to commodity price fluctuations through the sale of petroleum products and other oil-linked contracts. Option contracts are used by the Group to manage its forward commodity risk exposure. The Group policy is to 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 profit or loss and other comprehensive income.

Commodity Hedges outstanding at 30 June 2015

- Brent Crude oil monthly average fixed price floor for $70/bbl for 37,500 bbls/month for the period July 2015–December 2015.
- Brent Crude oil monthly average fixed price floor for $65/bbl for 82,500 bbls/month for the period July 2015–September 2015 and 37,500 bbls/month for the period October 2015–March 2016.
- Brent Crude oil monthly average fixed price floor for $45/bbl for 52,500 bbls/month for the period July 2015–September 2015, 100,000 bbls/month for the period October 2015–December 2015, 140,000 bbls/month for the period January 2016–June 2016, 87,500 bbls/month for the period July 2016–September 2016 and 40,000 bbls/month for the period October 2016–December 2016.

Commodity Hedges outstanding at 30 June 2014

- Brent Crude oil monthly average fixed price floor for $70/bbl for 37,500 bbls/month for the period January 2015–December 2015.
- Brent Crude oil monthly average fixed price floor for $65/bbl for 180,000 bbls/month for the period July 2015–December 2015, 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.

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

	Consolidated	
	2015 $million	2014 $million
Fixed rate instruments:		
Financial assets	**104.5**	329.0
Convertible notes	**-**	(143.0)
	104.5	186.0
Variable rate instruments:		
Financial assets	**75.2**	91.3
Bank loan facility	**(148.5)**	-
	(73.3)	91.3

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

17. Financial risk management (continued)

Sensitivity analysis for all market risks

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

	Consolidated	
	2015 $million	2014 $million
Impact on post-tax profit and equity		
AUD/$US - 10% increase in Australian/US dollar exchange rate	**(27.2)**	(40.3)
AUD/$US - 10% decrease in Australian/US dollar exchange rate	**32.8**	49.3
US$ oil price – increase of $10/bbl	**39.6**	39.3
US$ oil price – decrease of $10/bbl	**(37.5)**	(39.3)
Interest rates – increase of 1%	**1.6**	2.9
Interest rates – decrease of 1%	**(1.6)**	(2.9)

(c) Credit risk

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

In addition, receivables balances are monitored on an ongoing basis with the result that Beach's exposure to bad debts is not significant. The Group does not hold collateral, nor does it securitise its trade and other receivables. At 30 June 2015, Beach does not have any material trade and other receivables which are outside standard trading terms which have not been provided against.

	Consolidated	
	2015 $million	2014 $million
Ageing of Receivables :		
Receivables not yet due	**118.7**	124.4
Past due not impaired	**6.8**	2.6
Considered impaired	**(0.1)**	(0.1)
Total Receivables	**125.4**	126.9

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

The Group manages its credit risk on financial assets by predominantly dealing with counterparties with an investment grade credit rating. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures. Cash is placed on deposit amongst a number of financial institutions to minimise the risk of counterparty default.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

17. Financial risk management (continued)

(d) Liquidity Risk

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

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

		Carrying amount							
		Less than 1 year		1 to 2 years		2 to 5 years		Carrying amount	
	Note	2015 $million	2014 $million	2015 $million	2014 $million	2015 $million	2014 $million	2015 $million	2014 $million
Financial liabilities									
Payables		**128.5**	160.0	**4.0**	**-**	**-**	-	**132.5**	160.0
Borrowings (Notes)	15	**-**	143.0	**-**	-	**-**	-	**-**	143.0
Derivatives (Notes)	15	**-**	13.3	**-**	-	**-**	-	**-**	13.3
Borrowings (Debt)	15	**-**	-	**-**	-	**148.5**	-	**148.5**	-
		128.5	316.3	**4.0**	-	**148.5**	**-**	**281.0**	316.3

Equity and Group Structure

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

18. Contributed equity

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

	Number of Shares	$million
Issued and fully paid ordinary shares at 30 June 2013	**1,268,647,188**	1,214.1
Issued during the FY14 financial year		
Vesting of unlisted performance rights	**6,595,670**	-
Employee Incentive Plan	**121,935**	-
Dividend Reinvestment Plan		
Final 2.0 cent per share dividend	**8,012,844**	10.5
Interim 1.0 cent per share dividend	**2,969,028**	4.9
Special 1.0 cent per share dividend	**2,969,028**	4.9
Exercise of unlisted options	**2,683,977**	3.8
Repayment of employee loans and sale of employee shares	-	1.7
Issued and fully paid ordinary shares at 30 June 2014	**1,291,999,670**	1,239.9
Issued during the FY15 financial year		
Shares issued on vesting of unlisted performance rights	**898,136**	**-**
Shares issued under the terms of the Dividend Reinvestment Plan		
Final 2.0 cent per share dividend	**4,599,080**	**6.8**
Interim 1.0 cent per share dividend	**2,652,627**	**2.6**
Repayment of employee loans and sale of employee shares	**-**	**0.8**
Issued and fully paid ordinary shares at 30 June 2015	**1,300,149,513**	**1,250.1**

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

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

Dividend Reinvestment Plan

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.

Capital management

Management is responsible for managing the capital of the Group, on behalf of the Board, in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure the Group can fund its operations with secure, cost-effective and flexible sources of funding. The Group debt and capital includes ordinary shares, borrowings and financial liabilities including derivatives supported by financial assets. Management effectively manages the capital of the Group by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. The responses include the management of debt levels, dividends to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital during the year. The Group gearing ratio is 11.0% (2014: 8.6%). 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 2015

19. Reserves

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

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

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

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

	Consolidated	
	2015 $million	2014 $million
Share based payments reserve	**27.7**	25.7
Available-for-sale reserve	**(10.3)**	10.2
Foreign currency translation reserve	**67.7**	22.4
Profit distribution reserve *(1)*	**188.3**	-
Total reserves	**273.4**	58.3

(1) The amount transferred to the profit distribution reserve represents a transfer from FY14 retained earnings.

20. Dividends

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

	Consolidated	
	2015 $million	2014 $million
Final dividend of 2.0 cents (2014 2.0 cents)	**25.9**	25.4
Interim dividend of 1.0 cent (2014: 1.0 cent)	**13.0**	12.8
Special dividend in 2014 of 1.0 cent	**-**	12.8
Total dividends paid or payable	**38.9**	51.0
Franking credits available in subsequent financial years based on a tax rate of 30% (2014 - 30%)	**73.4**	15.3

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

21. Subsidiaries

		Percentage of shares held	
		%	%
Name of Company	**Place of incorporation**	**2015**	2014
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
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.

22. 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 other comprehensive income, summary of movements in retained earnings and statement of financial position of the Closed Group are as follows:

	Closed Group	
	2015 $million	2014 $million
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Sales revenue	**711.3**	1,037.4
Cost of sales	**(554.6)**	(637.4)
Gross profit	**156.7**	400.0
Other revenue	**0.4**	0.7
Other income	**0.7**	13.6
Other expenses	**(739.8)**	(163.1)
Operating profit / (loss) before financing costs	**(582.0)**	251.2
Interest income	**8.4**	13.7
Finance expenses	**(28.0)**	(26.2)
Profit before / (loss) income tax expense	**(601.6)**	238.7
Income tax benefit / (expense)	**131.9**	(88.8)
Profit / (loss) after tax for the year	**(469.7)**	149.9
Other comprehensive income/(loss)		
Net change in fair value of available for sale financial assets	**(20.5)**	12.9
Other comprehensive income / (loss), net of tax	**(20.5)**	12.9
Total comprehensive income / (loss) after tax	**(490.2)**	162.8
Summary of movements in the Closed Group's retained earnings		
Retained earnings at beginning of the year [1]	**526.5**	427.7
Net profit / (loss) for the year	**(469.7)**	149.9
Transfer to profit distribution reserve	**(188.3)**	-
Dividends paid to shareholders	**(38.9)**	(51.1)
Retained earnings at end of the year	**(170.4)**	526.5

[1] 2014 includes reclassification of other financial assets to retained earnings of $6 million

22. Deed of cross guarantee (continued)

	Closed Group	
	2015 $million	2014 $million
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	**146.5**	398.4
Receivables	**132.3**	134.3
Inventories	**114.1**	91.3
Derivative financial instruments	**1.1**	-
Other	**8.1**	7.9
Total current assets	**402.1**	631.9
Non-current assets		
Receivables	**-**	43.5
Available-for-sale financial assets	**46.1**	70.3
Property, plant and equipment	**430.0**	428.2
Petroleum assets	**588.0**	792.7
Exploration and evaluation assets	**229.5**	352.1
Derivative financial instruments	**0.2**	-
Other financial assets [1]	**127.1**	154.7
Other	**7.0**	27.9
Total non-current assets	**1,427.9**	1,869.4
Total assets	**1,830.0**	2,501.3
Current liabilities		
Payables	**129.7**	166.6
Employee entitlements	**6.8**	6.2
Provisions	**5.3**	11.6
Current tax liability	**6.6**	65.7
Borrowings	**-**	143.0
Derivative financial instruments	**-**	13.3
Total current liabilities	**148.4**	406.4
Non-current liabilities		
Payables	**86.3**	-
Employee entitlements	**0.8**	0.7
Provisions	**144.7**	126.0
Deferred tax liabilities	**15.9**	166.0
Borrowings	**148.5**	-
Total non-current liabilities	**396.2**	292.7
Total liabilities	**544.6**	699.1
Net assets	**1,285.4**	1,802.2
Equity		
Contributed equity	**1,250.1**	1,239.9
Reserves	**205.7**	35.8
Retained earnings/(accumulated losses) [1]	**(170.4)**	526.5
Total equity	**1,285.4**	1,802.2

[1] 2014 includes reclassification of other financial assets to retained earnings of $6 million

23. Parent entity financial information

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

Financial performance

	Parent	
	2015 $million	2014 $million
Net profit/(loss) after tax	**(531.3)**	74.2
Other comprehensive income/(loss), net of tax	**(20.5)**	12.9
Total comprehensive income/(loss) after tax	**(551.8)**	87.1
Total current assets	**1,387.0**	1,381.0
Total assets	**1,940.4**	2,251.0
Total current liabilities	**753.2**	576.3
Total liabilities	**1,015.8**	748.1
Issued capital	**1,250.1**	1,239.9
Share based payments reserve	**27.8**	25.7
Available-for-sale reserve	**(10.3)**	10.2
Profits distribution reserve	**188.3**	-
Retained earnings	**(531.3)**	227.1
Total equity	**924.6**	1,502.9

Expenditure Commitments

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

Capital expenditure commitments	**1.2**	13.4
Minimum exploration commitments	**66.5**	64.6
Operating commitments	**0.1**	-

Contingent liabilities

Details of contingent liabilities for the Company in respect of service agreements, bank guarantees and parent company guarantees are disclosed in Note 26.

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

24. Related party disclosures

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

Remuneration for Key Management Personnel

	Consolidated	
	2015	2014
	$	$
Short term benefits	**5,542,783**	5,932,057
Share based payments	**1,581,622**	3,045,572
Other long term benefits	**103,576**	100,987
Total	**7,227,981**	9,078,616

Subsidiaries

Interests in subsidiaries are set out in Note 21.

Transactions with other related parties

During the financial year ended 30 June 2015 , Beach used the legal services of DMAW Lawyers, a legal firm of which Mr Davis is a principal. Beach paid $160,339 during the financial year (FY14: $239,045) to DMAW lawyers for legal and advisory services, of which $4,465 related to FY14. In addition to fees paid during the year a further $3,879 (FY14: $9,680) is payable to DMAW Lawyers as at 30 June 2015 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 2015 of $250,000 (FY14: $250,000) were also paid directly to DMAW Lawyers.

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

25. Disposal group held for sale

During the year, Beach commited to a plan to sell it's Egyptian interests held within the International Segment. Accordingly, these interests are presented as a disposal group held for sale. On 10 August 2015, Beach announced the signing of a binding agreement with Rockhopper Exploration plc (Rockhopper) in relation to the sale of its wholly owned subsidiary, Beach Petroleum (Egypt) Pty Ltd (refer note 28). Consideration will be up to US$22 million (subject to adjustments).

Impairment losses of $173.7 million for writedowns of the disposal group to the lower of it's carrying amount and its fair value less costs to sell have been included in 'other expenses' (Note 3). The impairment losses have been applied to reduce the carrying value of petroleum assets and exploration and evaluation assets within the disposal group.

Assets and liabilities of disposal group held for sale

	$million
Receivables	8.0
Property, plant and equipment	12.9
Petroleum assets	1.3
Assets held for sale	**22.2**
Payables	1.9
Provisions	0.3
Liabilities held for sale	**2.2**

There is cumulative income of $53.3 million for gains on translation of foreign operations included in OCI relating to the disposal group up to 30 June 2015 which will be realised on completion of the sale. The fair value is categorised as a level 2 as it represents a mixture of cash and shares to be received based on a signed sale agreement.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

Other information

Additional information required to be disclosed under Australian Accounting Standards.

26. Contingent assets and liabilities

CONTINGENT ASSETS

Under an agreement to sell its 40% interest in the Tipton West Joint Venture coal seam gas (CSG) asset to Arrow Energy Limited in 2009, Beach had an entitlement to receive contingent payments of up to $70 million. In September 2010, Beach received $43.2 million of these contingent payments leaving possible remaining payments of up to $26.8 milion. At 30 June 2015, no further contingent payments will be paid.

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 2015 under the service agreements for the other executive officers (excluding the Managing Director) is $2,807,900 (2014: $2,961,577).

Mr Nelson's retirement arrangements for dealing with his remaining performance rights were approved by shareholders at the 2014 AGM. The terms of that arrangement are that Mr Nelson's unvested LTI and STI performance rights lapsed on his retirement from the Company. A pro rata reward will be provided to Mr Nelson at the date of testing the LTI performance rights in 2015 and 2016. If the testing criteria are not met, Mr. Nelson will not receive any financial reward pertaining to these performance rights. If testing criteria are met Mr. Nelson will receive at that time a pro rata benefit equal to the period of his contribution to the relevant shareholder returns.

Specifically, in relation to the 869,781 performance rights that might vest on 1 December 2015, the Board has determined that Mr Nelson would have contributed for 100% of the relevant period to any gains made by shareholders. In relation to the 972,292 performance rights that might vest on 1 December 2016, Mr Nelson would have contributed for 50% of the relevant period. The Board will not accelerate the vesting date of these incentive arrangements to which Mr Nelson may be entitled after his retirement. The Board will pay to Mr Nelson at the relevant time in 2015 and 2016 a cash amount equal to the value, if any, of the full or pro rata amount of the performance rights that would otherwise have vested on those dates.

Bank guarantees

Beach has been provided with a $30 million letter of credit facility, of which $19.5m had been utilised by way of bank guarantees at 30 June 2015. Refer Note 15 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.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

27. Remuneration of auditors

	Consolidated	
	2015	2014
	$000	$000
Audit services		
Amounts received or due and receivable by the auditor of Beach for:		
- auditing or reviewing the financial statements	**286**	282
- joint operation audits	**-**	8
	286	290
Amounts received or due and receivable by other firms for:		
- auditing or reviewing the financial statements	**37**	15
- joint operation audits	**16**	16
Total audit services	**339**	321
Non-audit services		
Amounts received or due and receivable by the auditor of Beach for:		
- tax and other services(1)	**381**	15
Total non-audit services	**381**	15

(1) $16,000 relating to Grant Thornton

Following shareholder approval at the 2014 AGM, KPMG replaced Grant Thornton as auditor of the Group. Accordingly figures shown as payable to the auditor of Beach for 2015 represent amounts paid or payable to KPMG and for 2014 represent amounts paid or payable to Grant Thornton, unless specified otherwise. Fees for non-audit services were unusually high in FY15 as KPMG provided a significant amount of work associated with transactions and divestments relating to overseas interests.

28. Subsequent events

International – Sale of Beach Egypt

On 10 August 2015, Beach announced it had entered into a binding agreement with Rockhopper Exploration plc (Rockhopper) in relation to the sale of its wholly owned subsidiary, Beach Petroleum (Egypt) Pty Ltd, whose core asset is a 22% interest in the Abu Sennan Concession in Egypt. Consideration will be up to US$22 million (subject to adjustments) comprising US$11.5 million cash, with the balance to be made up of Rockhopper shares. The share component will be limited to no more than 5% of Rockhopper's issued capital. Completion of the transaction is expected to occur in late 2015 / early 2016 and is dependent on satisfaction of certain conditions precedent, including Egyptian regulatory approvals, limited confirmatory due diligence, divestment of certain excluded non-core assets, and joint venture consents, including pre-emption. The divestment of the excluded assets is not expected to result in a material adjustment to the proceeds from this transaction. The sale of Beach Egypt is consistent with Beach's strategy to focus on Australia and nearby.

Cooper Basin – Acquisition of 40% operatorship interest in ATP 1056

On 11 August 2015, Beach announced it had signed a binding agreement to acquire a 40% operating interest in the ATP 1056 permit from AGL Cooper Basin Pty Ltd, a subsidiary of AGL Energy Ltd (AGL), for $1.15 million. ATP 1056 is located on the south-eastern flank of the Cooper Basin and adjoins long-producing oil fields such as Jackson and Naccowlah. The permit area has been identified as highly prospective for oil and is covered by 610 km^2 of 3D seismic, with two small discoveries currently on extended production test. Completion is subject to satisfaction of conditions precedent, including Queensland Government indicative approval, appointment of Beach as operator of the ATP 1056 joint venture, and joint venture consents and waivers. On completion, Beach will hold a 40% participating interest in the ATP 1056 joint venture, comprising a 20% registered interest in ATP 1056, and a right to earn a further 20% by satisfying farm-in obligations assumed from AGL. The acquisition will allow Beach to leverage its core capability and is consistent with its strategy to pursue Cooper Basin adjacencies..

28. Subsequent events (continued)

Cooper Basin – Commencement of gas delivery under long term sales agreement with Origin

On 1 July 2015, Beach announced that its long term gas sales agreement with Origin Energy Retail Ltd (Origin) had been initiated for delivery of up to 139 PJ of sales gas over an initial eight year term. Key benefits to Beach from the agreement include attractive oil-linked pricing with other parameters, and expected delivery of significant sales gas volumes, with a potential two year extension available to Origin (for total volumes of up to 173 PJ over a ten year period). It is expected that daily sales gas volumes supplied to Origin under this contract will increase over the course of FY16, while legacy contracts continue to be serviced. Initiation of this contract continues Beach's transition to separate lifting and marketing of its equity share of sales gas from the SACB and SWQ JVs, and is consistent with its strategy to benefit from increasing gas demand from east coast markets.

Bonaparte Basin

Beach completed the acquisition of Territory Oil and Gas Pty Ltd (TOAG), which delivered to Beach TOAG's 45% interest in EP 126. While the transaction is immaterial to Beach, terms of the transaction remain confidential. Beach has a resulting 100% interest in the permit and is reviewing options for future activities, which may include farm down to a suitable partner to fund further appraisal and development efforts.

Other than the above matters, there has not arisen in the interval between 30 June 2015 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, unless otherwise noted in the Financial Report.

Independent auditor's report 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 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In the Basis of Preparation, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we 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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of their performance.

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 Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in the Basis of Preparation.

Report on the remuneration report

We have audited the Remuneration Report included in pages 30 to 52 of the directors' report for the year ended 30 June 2015. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Beach Energy Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Scott Fleming
Partner

Adelaide
24 August 2015

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2015

Corporate Information

Annual meeting

The annual meeting will be held as follows:	
Place	ADELAIDE CONVENTION CENTRE NORTH TCE, ADELAIDE SA 5000
Date	WEDNESDAY 25 NOVEMBER 2015
Time	10.30 AM
Approximate date the Annual Report will be available	24 OCTOBER 2015

Corporate Directory

Chairman

Glenn Stuart Davis
LLB, BEc, FAICD
Non-Executive

Directors

Robert James Cole
BSc, LLB (Hons)
Managing Director

Colin David Beckett
FIEA, MICE, GAICD
Non-Executive

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, MAICD
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, Joint Company Secretary and Executive Vice-President Sustainability

Kathryn Anne Presser
BA(Acc), Grad Dip CSP, FAICD, FCPA, FGIA, FCIS, AFAIM
Chief Financial Officer, Joint Company Secretary and Executive Vice-President Corporate Services

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

KPMG
151 Pirie Street
ADELAIDE SA 5000

Securities Exchange Listing

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

Beach Energy Limited

ABN 20 007 617 969

Website

www.beachenergy.com.au