

Interim Report

For the half year ended 31 December 2014

Appendix 4D

- Directors' Report
- Interim Financial Report

Beach Energy Limited

ABN: 20 007 617 969

ASX Code: BPT

Beach Energy Limited
convertible notes are listed
on the Singapore Securities
Exchange (SGX)

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Doug Schwebel



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About Beach

Formed in 1961 and listed on the Australian Securities Exchange in 1962, Beach Energy limited (Beach Energy, Beach or the Company) is an oil and gas exploration and production company headquartered in Adelaide, South Australia. Beach has a core focus on the resource-rich Cooper Basin with gross acreage of over 56,000 km². Key facts about Beach include:

- Australia's largest onshore oil producer with an active exploration and development drilling program in the Cooper Basin
- Exposure to diverse and strategically located resource basins with established infrastructure supplying key markets
- Access to prime tight gas acreage in the Nappamerri Trough with transformational prospects for Australia's East Coast gas market
- FY14 production of 9.6 million barrels of oil equivalent and revenue in excess of \$1 billion
- Oil and gas reserves (2P) of 86 million barrels of oil equivalent at 30 June 2014
- Contingent oil and gas resources (2P and 2C) of 552 million barrels of oil equivalent at 30 June 2014
- A strong Balance Sheet with a fully funded FY15 capital expenditure program

Operations



APPENDIX 4D

for the Half Year ended 31 December 2014

ABN	Previous Corresponding Period
20 007 617 969	31 December 2013

Results for Announcement to the Market

					\$'000
Revenues from ordinary activities	Decreased	23%	to		431,240
Net (loss)/profit from ordinary activities after tax (NPAT) attributable to members	Decreased	149%	to		(79,090)
NPAT for the period attributable to members	Decreased	149%	to		(79,090)
Underlying NPAT*	Decreased	54%	to		72,417

* 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 7 for a reconciliation of this information to the financial report.

Dividends	Amount per Security	Franked amount per Security
Fully franked final dividend paid (on 26 September 2014)	2.00 cents	2.00 cents
Fully franked interim dividend to be paid	1.00 cent	1.00 cent
Record date for determining entitlements to the dividend		6 March 2015

This Interim Report is to be read in conjunction with the 2014 Annual Report, the December 2014 Interim Financial Report and Directors' Report.

Competent Persons Statement

The reserves and resources information in this presentation is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Tony Lake (Reservoir Engineering Manager). Mr Lake is an employee of Beach Energy Limited and has a BE (Mech) degree from the University of Adelaide and is a member of the Society of Petroleum Engineers (SPE). The reserves and resources information in this 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	\$1.37	\$1.53

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	\$25.864	\$25.396

None of these dividends are foreign sourced.

Dividend Reinvestment Plan

Discount rate for Dividend Reinvestment Plan (DRP)	2.5%
Record date	6 March 2015
Last election date for participation in the DRP	10 March 2015
Period over which share price for DRP will be determined	Five trading day period will commence on Wednesday, 11 March and will end after Tuesday, 17 March 2015
Date of payment	Friday, 27 March 2015
Share pricing for DRP	The market price is to be calculated over the five day trading period – the calculation for market price is the arithmetic average of the daily volume weighted average price on each trading day during the pricing period, rounded to the nearest half cent
Ranking of shares issued under DRP	Will rank equally with all existing shares

Beach has established a DRP, details of which are available on Beach's website www.beachenergy.com.au

DIRECTORS' REPORT

For the Half Year ended 31 December 2014

The Directors of Beach Energy present their Interim Report for the half year ended 31 December 2014 and the state of affairs of the Company at that date. The Company's Interim Financial Report for the half year ended 31 December 2014, presented on pages 18-34, form part of this report.

FINANCIAL PERFORMANCE

	H1 FY15 \$'000	H1 FY14 \$'000	Change
Income			
Sales revenue	426,807	557,207	(23%)
Total revenue	431,240	559,474	(23%)
Cost of sales	(312,883)	(317,598)	1%
Gross profit	113,924	239,609	(52%)
Other income	11,181	13,586	(18%)
NPAT	(79,090)	160,478	(149%)
Underlying NPAT	72,417	158,093	(54%)
Dividends paid	2.00	2.00	0%
Dividends Announced	1.00	2.00	(50%)
Basic EPS	(6.11)	12.60	(148%)
Underlying EPS	5.59	12.41	(55%)
Cash flows			
Operating cash flow	135,629	274,498	(51%)
Investing cash flow	(280,915)	(202,909)	(38%)
Financial position			
	As at 31 Dec 2014	As at 30 June 2014	Change
Net assets	1,783,088	1,870,773	(5%)
Cash balance	248,591	411,307	(40%)

Revenue

Record sales volumes of 5.7 MMboe were achieved due to continued strong oil production from the Western Flank and higher gas sales from increased customer demand.

Sales revenue for the half year decreased by 23% to \$427 million, as compared to \$557 million reported in the previous corresponding period (PCP), mainly due to lower oil and other liquids prices and lower crude sales volumes, including lower third party volumes, partly offset by a lower A\$/US\$ exchange rate. Oil sales revenue was down \$131 million mainly due to lower production, third party volumes and a lower realised average A\$ oil price, which was down 22% to \$101/bbl. Gas and gas liquids sales revenue was up 1% to \$111 million mainly due to higher gas sales volumes.

Gross Profit

Gross profit for the half year of \$114 million was down 52% from the PCP of \$240 million. This fall in gross profit was largely a result of lower oil prices, lower oil sales volumes and higher depreciation charges, partly offset by lower third party purchases and lower cash production costs with the removal of the carbon tax.

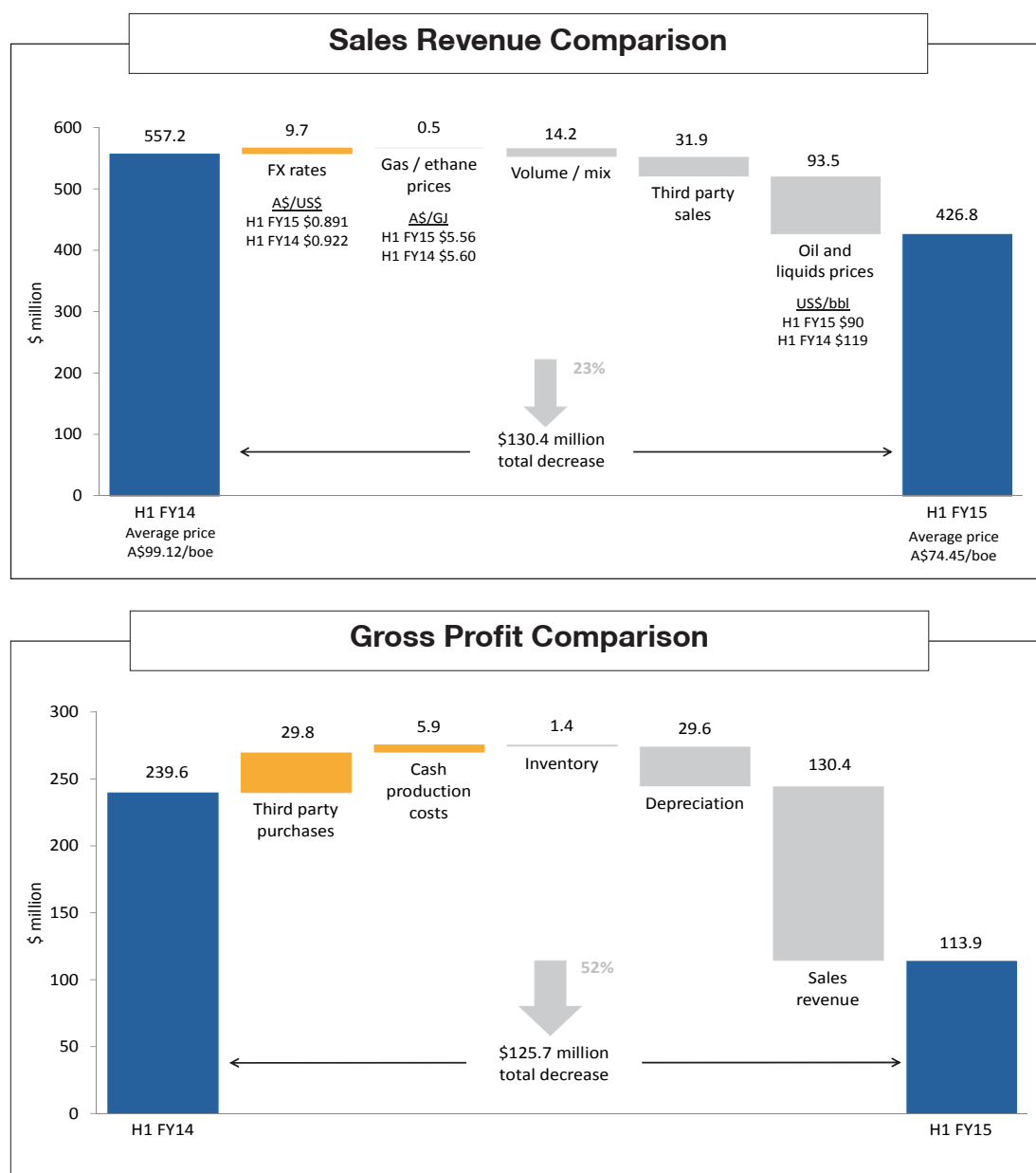
Cash production costs were down \$6 million, reflecting lower royalties with the reduced sales revenue as well as the removal of carbon cost, partly offset by higher cash operating costs.

Depreciation was up by \$30 million due to higher capital expenditure and the impact of reserve adjustments in the prior year while third party oil and gas sales were down \$30 million.

Net Profit after Tax

Other income of \$11 million was \$2 million lower for the half year, mainly due to oil hedging and foreign exchange gains of \$11 million compared to a \$13 million gain on the sale of joint venture interests in the PCP.

Other expenses of \$243 million were \$223 million higher for the half year, mainly due to impairment of \$224 million.



For the half year ended 31 December 2014, Cooper Basin assets have been impaired, on an area of interest basis, by \$194 million reflecting the current environment of lower oil prices while the value of Romanian interests has been reduced \$30 million to nil, with no further exploration scheduled.

Net financing expenses were lower due to the change in value of the convertible note derivative liability, partly offset by increased financing costs for the unwinding of the discount on the restoration provision and lower interest income due to a reduced cash balance.

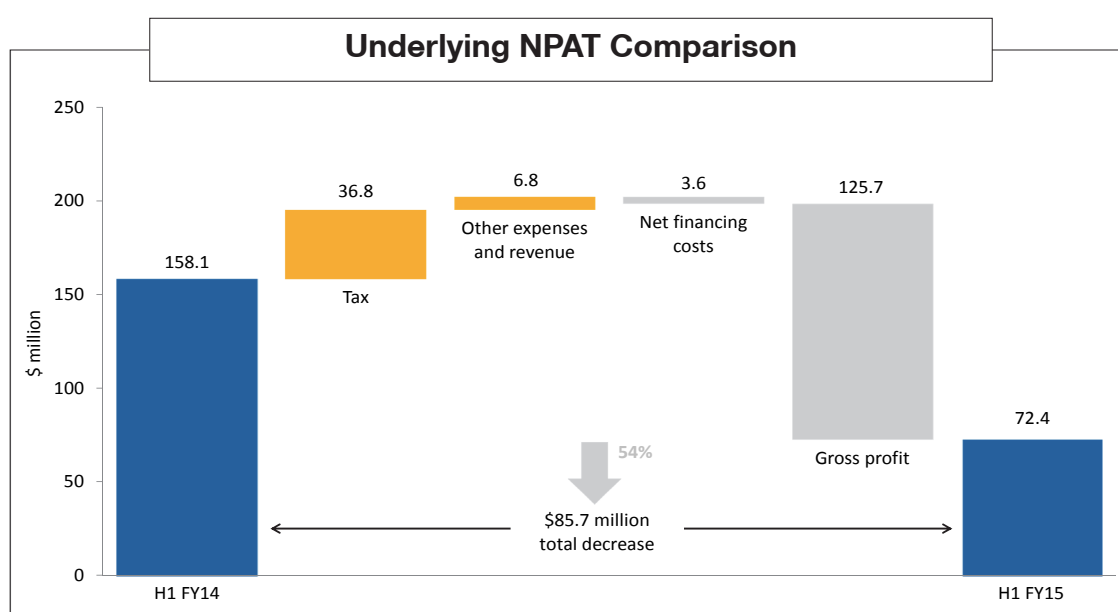
The reported net loss after income tax for the half year ended 31 December 2014 of \$79 million is \$239 million lower than the \$160 million profit for the PCP, mainly due to impairment and lower oil prices.

Underlying Profit

By adjusting the half year NPAT to exclude impairment, unrealised and non-recurring items, as per the following table, Beach's underlying NPAT for the half year reporting period is \$72 million. This is a 54% decrease on the PCP, driven predominantly by lower oil prices and oil sales volumes and higher depreciation, partly offset by lower cash production costs (as shown in the Gross Profit Comparison graph above).

In comparing the underlying NPAT, the graph on the next page provides an indication of the key drivers behind the decrease in underlying net profit after tax.

Comparison of Underlying NPAT	H1 FY15 \$'000	H1 FY14 \$'000	Movement from PCP	Change (%)
NPAT	(79,090)	160,478	(239,568)	(149%)
Remove unrealised hedging (gains)/losses	(6,970)	4	(6,974)	
Remove mark to market of Convertible Note derivative	(13,321)	8,845	(22,166)	
Remove gain on asset sales	–	(13,586)	13,586	
Remove impairment of assets	223,780	40	223,740	
Tax impact of above changes	(51,982)	2,312	(54,294)	
Underlying NPAT	72,417	158,093	(85,676)	(54%)



Dividends

During the half year ended 31 December 2014, the Directors declared and paid a 2.0 cents per share fully franked final dividend. The Directors are pleased to announce a further fully franked interim dividend payment of 1.00 cent per fully paid ordinary share.

Financial Position

Total assets decreased by \$192 million, to \$2,398 million, during the half year ended 31 December 2014.

Cash balances decreased by \$163 million. A strong operating cash flow of \$136 million, after income tax payments of \$65 million, was offset by capital and exploration expenditure of \$275 million and a 2.0 cent final dividend payment of \$19 million. Receivables decreased by \$14 million as a

result of lower sales accruals with reduced prices partly offset by higher joint venture debtors. Other movements included an increase in inventories of \$5 million and derivative financial instruments of \$6 million due to the increased value of oil hedges, partly offset by a fall in other current assets of \$4 million due to lower prepayments.

Non-current assets decreased by \$23 million reflecting capital expenditure and restoration adjustments of \$292 million, revaluation of overseas assets of \$29 million and increased prepayments of \$16 million, partly offset by non-cash depreciation and amortisation of \$113 million and impairment charges of \$224 million. There was also a mark to market reduction of available for sale financial assets of \$26 million.

Total liabilities decreased by \$105 million to \$615 million. Trade and other payables were \$9 million lower due to

lower accruals. Deferred tax liabilities decreased \$44 million due to unwinding of timing differences due to impairment and exploration expenditure incurred during the period. Other movements included a decrease in derivative liabilities of \$13 million due to the movement in the value of the convertible note conversion rights. Current provisions decreased by \$3 million due to restoration and other payments. Income tax payable decreased \$56 million reflecting \$65 million of tax payments during the half and an overprovision related to R&D expenditure not previously claimed, partly offset by the estimated tax payable for the half year. Borrowings increased by \$5 million due to unwinding of the discount on the convertible note and amortised fees. Non-current provisions increased by \$16 million mainly due to unwinding of the discount on the restoration provision as well as revisions to cost estimates and new wells requiring restoration which were added during the period.

Total equity has decreased by \$88 million, primarily due to the net loss after tax of \$79 million recorded for the six months to 31 December 2014 and the final dividend of \$26 million, partly offset by shares issued under the DRP of \$7 million. Reserves also increased by \$10 million mainly due to revaluation of overseas assets and partly offset by revaluation of available for sale investments.



Bauer facility



FY15 FULL YEAR OUTLOOK

- Due to continued strong operating performance in H1 FY15, management revised full year production guidance to 8.9 – 9.4 MMboe, which is weighted toward the higher end of original guidance (8.6 – 9.4 MMboe)
- Management undertook a detailed review of capital expenditure as a result of the lower oil price environment in H1 FY15. Up to \$55 million of potential deferrals were identified, representing ~20% of the originally estimated H2 FY15 spend. The revised FY15 full year capital expenditure guidance is \$430 – \$470 million
- Bauer facility production is expected to be maintained at maximum available capacity through ongoing tie-in of development wells, a new four-well pad drilling campaign and further upgrades to fluid handling capacity
- Sales gas supply under oil-linked contracts with other parameters resulting in higher pricing, margins and gas contribution to the sales mix, relative to legacy contracts
- Stage 1 of the Nappamerri Trough Natural Gas (NTNG) exploration program will be completed, with scoping of the Stage 2 pilot production and appraisal program commencing
- Processing and interpretation of seismic surveys in the Western and Eastern Flanks, offshore Otway Basin and Lake Tanganyika South Block, Tanzania are continuing. Identification of prospects and leads will guide FY16 drilling campaigns
- Further progress to be made in relation to the Company's whole of portfolio review

OPERATIONS OVERVIEW

PRODUCTION

The Company's oil and gas production is primarily derived from the Cooper and Eromanga basins, located in the north-east of South Australia and the south-west of Queensland. Additional production is derived from Egypt. Total net production for the period was 4,785 kboe, representing a 3.4% decrease relative to the prior corresponding period.

Oil production of 2,420 kboe accounted for 51% of total production and was 8.2% lower than the prior corresponding period. Natural field decline in the Western Flank, which produced at record levels in FY14, was partially offset by lower than expected decline at the Bauer Field and higher production in PRLs 136 to 150 (formerly PEL 104 / 111). Western Flank net oil production averaged 9,848 bopd, with tie-in of wells, infrastructure upgrades and development, appraisal and exploration drilling to continue in the second half.

Gas and gas liquids production of 2,366 kboe accounted for 49% of total production and was 2.2% higher than the prior corresponding period.

Cooper Basin Operated

PRLs 151 to 172 (formerly PEL 91)
(Beach 40%, Drillsearch 60%)

Following record levels of production in FY14, oil production for the period decreased 11.4% to 831 kbbbl (net), mainly due to natural field decline in the Bauer Field. Production from the Bauer Field has stabilised at current levels following expansion of processing capacity to 50,000 barrels of fluid per day and the recent tie-in of

the Bauer-12 to -15 development wells. Activity for Q3 FY15 to maintain high production levels includes tie-in of the Bauer-16 to -19 development wells, drilling of the four-well development pad in the north of the Bauer Field and ongoing infrastructure upgrades (including fluid handling capacity increases and flowline de-bottlenecking).

PRLs 85 to 104 (formerly PEL 92)
(Beach 75%, Cooper 25%)

Oil production decreased 19.7% to 622 kbbbl (net) due to natural field decline, which was partially offset by production commencing from the Rincon Field.

PRLs 129 and 130 (formerly PEL 106)
(Beach 50%, Drillsearch 50%)

Gas and gas liquids production decreased 35.4% to 183 kboe (net), mainly due to natural field decline and suspended gas flow from Canunda-1.

Queensland Oil
(Beach 100%)

Oil production increased 3.7% to 92 kbbbl (gross and net) as Bodalla South-21 was brought online. Shut-in of some high water cut wells was also undertaken.

Cooper Basin Non-operated

PRLs 136 to 150 (formerly PEL 104 / 111)
(Beach 40%, Senex 60%)

Oil production increased 10.5% to 359 kbbbl (net) as Martlet-1 and new Spitfire wells came online. Natural decline in the Spitfire Field has been less than anticipated, contributing to the overall strong production result.

Production	Area	H1 FY15	H1 FY14	% Change
Oil (kbbbl)	Cooper Basin	2,370.2	2,603.9	(9.0%)
	Egypt	49.5	32.7	51.4%
Total Oil		2,419.7	2,636.6	(8.2%)
Sales Gas and Ethane (PJ)	Cooper Basin	11.5	11.0	4.4%
LPG (kt)	Cooper Basin	24.2	25.9	(6.7%)
Condensate (kbbbl)	Cooper Basin	198.9	225.2	(11.7%)
Total Oil, Gas and Gas Liquids (kboe)		4,785.3	4,951.5	(3.4%)

SACB and SWQ JVs

(Various interests; Beach ~20-40%)

Sales gas and gas liquids production increased 7.1% to 2,183 kboe (net), mainly due to increased drilling activity and higher peak winter demand. Oil production decreased 2.8% to 466 kbbl (net).

Egypt - Abu Sennan Concession

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

Oil production increased 66.1% to 50 kbbl (net) as the Al Jahraa-2 ST1, El Salmiya-6 and ASA-1X ST3 wells came online.

DEVELOPMENT

Cooper Basin Operated

PRLs 151 to 172 (formerly PEL 91)

(Beach 40%, Drillsearch 60%)

Development drilling primarily focused on the highly productive Namur Sandstone reservoir and overlaying McKinlay Member within the Bauer Field. A six-well development campaign was completed, comprising four deviated wells drilled from a single pad location and two vertical wells.

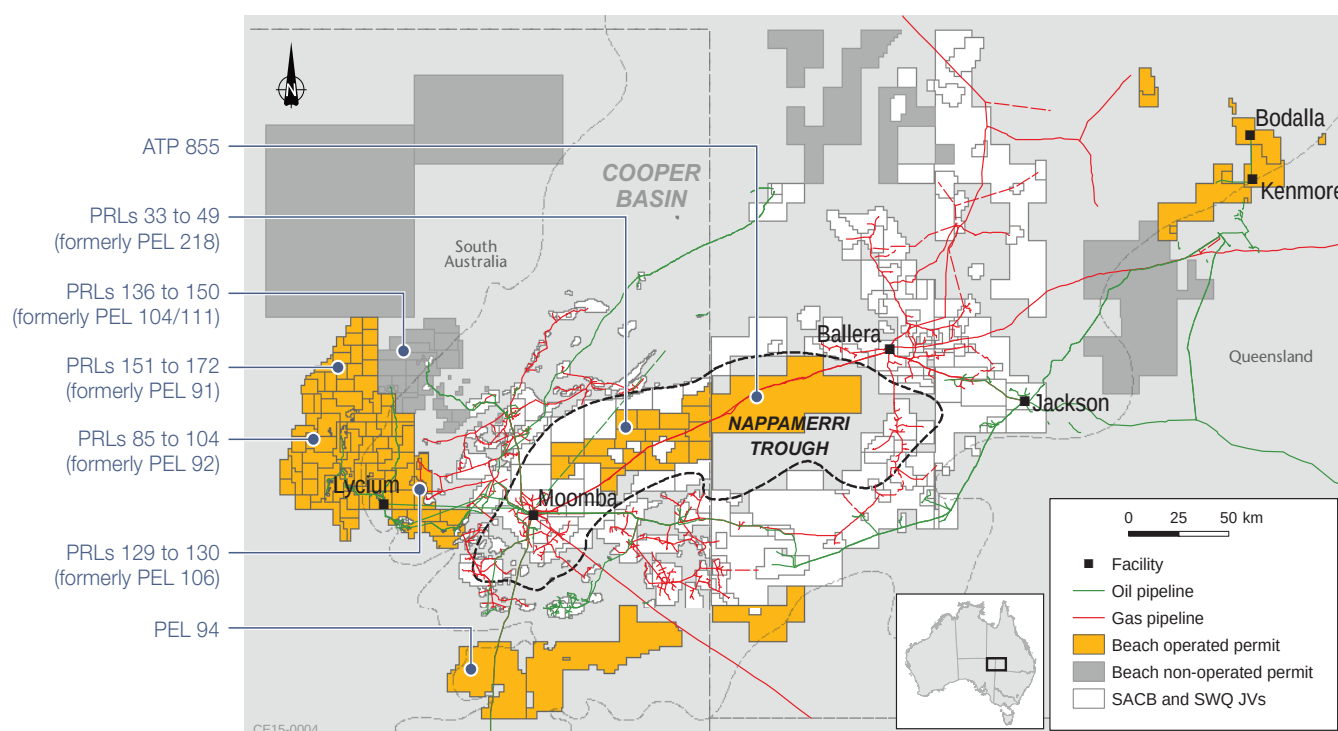
The Bauer-16 to -19 pad wells were drilled approximately 10 metres apart at surface, with directional drilling commencing from depths of approximately 700 metres to reach target zones. The close proximity of the wells and the 'walk' capability of the rig reduced time taken for rig moves and achieved savings in terms of footprint, drilling time and costs. The two vertical wells, Bauer-14 and -15, were drilled in the central and northern parts of the field, respectively.

Results from the six-well campaign exceeded pre-drill expectations and increases to 2P reserves are expected. All wells were cased and suspended with Bauer-14 and -15 coming online toward the end of the second quarter. The Bauer-16 to -19 pad wells are expected online in Q3 FY15.

A second four-well pad drilling campaign, located in the north of the Bauer Field and targeting the Namur Sandstone and Birkhead Formation, has been approved by the joint venture and is expected to be undertaken in Q3 FY15.

A standalone development well, Hanson-2, was drilled approximately 450 metres to the east of the currently producing Hanson-1 well. The well was cased and suspended as a future Namur Sandstone and McKinlay Member oil producer.

The joint venture was granted Petroleum Retention Licenses 151 to 172 over the former PEL 91 permit, which secures tenure over these licences for up to 15 years.



PRLs 85 to 104 (formerly PEL 92)

(Beach 75%, Cooper 25%)

Reprocessing and interpretation of 3D seismic surveys around the Callawonga and Butlers / Parsons trends continued, with results to guide drilling activities in the second half of FY15 and beyond.

One development well, Elliston-2, was plugged and abandoned after encountering an oil column insufficient for economic production.

Cooper Basin Non-operated

South Australian Gas

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

During calendar years 2013 and 2014, the gas development program on the South Australian side of the Cooper Basin primarily focused on infill drilling in the Cowralli, Moomba North and Big Lake fields. This infill drilling campaign targeted conversion of undeveloped reserves to developed reserves, with the objective of increased gas production from 2015.

Completion of drilling in the Big Lake Field subsequent to half year-end marked the end of the infill program, with 17 wells drilled during H1 FY15. Drilling in the Big Lake Field targeted the Patchawarra and Tirrawarra formations, with all wells cased and suspended as future gas producers. The drilling program predominantly comprised pad drilling techniques, which achieved cost and drilling time efficiencies.

The joint venture is now undertaking more geographically widespread field development with a specific focus on the liquids-rich fields in the northern Patchawarra Trough. During H1 FY15, 13 wells were completed with all successfully cased and suspended. Drilling included:

- The first two wells of a four-well pad program in the Nephrite South Field targeting the Patchawarra Formation;
- A four-well development campaign targeting the Patchawarra Formation in the Andree-Leleptian Fields; and
- Standalone development wells in the Balcaminga, Gooranie East, Kanowana, Lake MacMillan, Moolion, Talleringie and Tirrawarra fields.

A nine-well development program targeting the Coorikiana Sandstone in the Mudera, Marabooka and Strzelecki fields commenced with the drilling of Mudera-17. The well was cased and suspended as a future gas producer after intersecting gas pay in the Coorikiana Sandstone. The Mudera Field is located approximately 35 kilometres south-east of Moomba.

South Australian Oil

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

Caroowinnie-2 targeted the McKinlay Member and Birkhead and Murta formations and was cased and suspended following the intersection of approximately three metres of net pay.

Queensland Gas

(Beach 23.2%, Santos 60.06% and operator, Origin 16.5%, APL 0.24%)

A four-well development campaign was undertaken in the field located on the Durham Downs culminations. The primary targets were the Toolachee and Patchawarra Formations. All four wells in the campaign were successful and are expected online in Q3 FY15.

A standalone well in the Hera Field was cased and suspended as a future Toolachee and Patchawarra gas producer.

Queensland Oil

(Beach 20%, Santos 55% and operator, Origin 25%)

The Cook-28 horizontal well spudded in July 2014 and was drilled laterally for 638 metres through the Hutton Formation at a depth of 2,866 metres (true vertical depth of 1,973 metres). The well was completed with an electrical submersible pump and brought online in Q2 FY15 at a rate of 50 bopd.

The Cook-29 horizontal well spudded in June 2014 and was drilled laterally for 1,007 metres through the Murta Formation at a depth of 2,914 metres (true vertical depth of 1,668 metres). Nine of 11 planned fracture stimulation stages were successfully undertaken in December 2014. The well was completed with an electrical submersible pump and brought online in January 2015 at an initial rate of 125 bopd.

EXPLORATION AND APPRAISAL

Cooper Basin Operated

PRLs 151 to 172 (formerly PEL 91)

(Beach 40%, Drillsearch 60%)

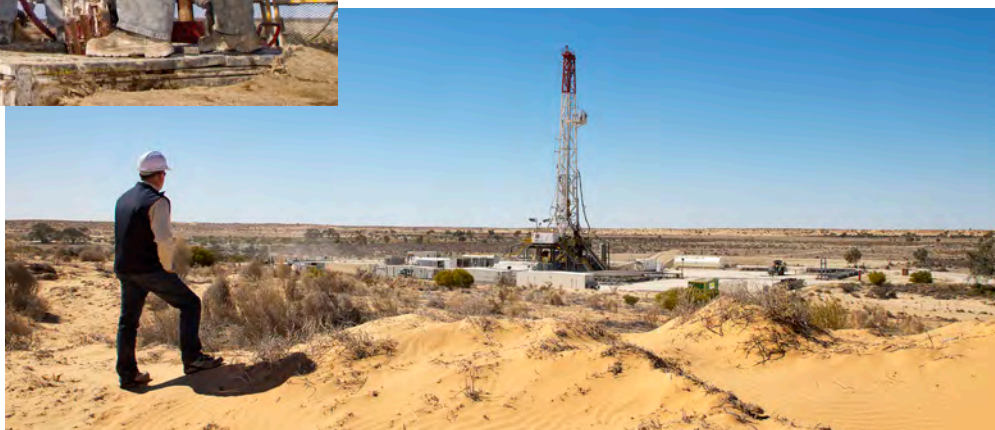
New oil discoveries at Balgowan-1 and Burners-1 were cased and suspended as future Namur Sandstone and McKinlay Member producers. These discoveries confirmed the extension of the oil fairway to the north-east of recent discoveries in PEL 91 and brought a new focus on other prospects in this northern area of the permit. Balgowan-1 resulted in the addition of gross 1P, 2P and 3P oil reserves of 87 kbbl, 345 kbbl and 1,530 kbbl, respectively¹, and is expected online by the end of FY15. Burners-1 was cased and suspended and will be considered for tie-in to facilities in FY16.

Overall exploration drilling success was 40%, with three wells plugged and abandoned.

Acquisition of the Solidus 3D seismic survey was completed over 492 km² of prospective acreage to the north of the Bauer Field. Processing and interpretation is expected to be completed by the end of Q2 FY16. Results will help define Western Flank exploration and appraisal drilling targets.



Drilling Balgowan-1



PRLs 85 to 104 (formerly PEL 92)

(Beach 75%, Cooper 25%)

Merge and re-processing of the Neritus, Modiolus and Calpurnus 3D seismic surveys is near completion, with interpretation to be undertaken through Q3 FY15. Results will help define Western Flank exploration and appraisal drilling targets.

The Shelly-1 exploration well was plugged and abandoned after failing to intersect a commercial oil column.

PRLs 129 and 130 (formerly PEL 106)

(Beach 50%, Drillsearch 50%)

Four wells of a five-well exploration and appraisal campaign were drilled, targeting gas and gas liquids in the Patchawarra Formation and Tirrawarra Sandstone. The first well in the program, Canunda-2, was cased and suspended as a future producer while the remaining wells were plugged and abandoned.

The joint venture was granted Petroleum Retention Licences 129 and 130 over the former PEL 106 permit, which secures tenure over these licences for up to 15 years.

PEL 94

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

The Davenport-1 ST1 well was fracture stimulated over a single stage (VU Coal), with encouraging permeability and hydrocarbon shows observed from earlier coring. An estimated 90% of the fracture fluid was recovered during the flow back period, with the election made to isolate this zone behind a plug to allow testing of the upper coal.

Interpretation of drilling results and monitoring of well conditions is underway. Completion and flow testing are planned for FY16. While still in the early stages of this play, there are favourable indications of both permeability and gas saturation.

1. As per announcement to the Australian Securities Exchange on 23 December 2014. Beach Energy is not aware of any new information or data that would materially affect the information contained in that announcement, and all underlying material assumptions and technical parameters continue to apply without material change. This preliminary reserves estimate was generated for each target reservoir formation using probabilistic volumetric methods.

Nappamerri Trough Natural Gas

ATP 855

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

A four-well fracture stimulation program was undertaken with Condor Energy Services Ltd, which marked the completion of the ATP 855 work program.

The Etty-1 vertical well was stimulated over four intervals, one in the Daralingie Formation and three in the Toolachee Formation. The well cleaned up to a peak flow rate of 0.9 MMscfd and was shut-in on 15 January 2015 while flowing at 0.7 MMscfd through a 24/64" choke with wellhead pressure of 405 psi. Gas analysis indicated approximately 70% methane and 30% CO₂. Test results confirmed that 93% of gas flow was emanating from the single interval stimulation in the Daralingie Formation. This new play has earmarked the Daralingie Formation as a potential target for further appraisal in Stage 2 (subject to joint venture approval).

The Geoffrey-1 vertical well was stimulated over five intervals, four in the Patchawarra Formation and one in the Epsilon Formation. The well cleaned up to a peak flow rate of 1.1 MMscfd while choked back at 12/64" with wellhead pressure of 3,058 psi. Geoffrey-1 was shut-in on 30 January 2015 and prior to shut-in was flowing at 0.8 MMscfd through a 40/64" choke with wellhead pressure of 128 psi. Production logging indicated 67% of gas contribution was from a single stage in the Patchawarra Formation. Gas analysis indicated approximately 75% methane and 25% CO₂. Geoffrey-1 is currently shut-in on long term pressure build up.

The Hervey-1 vertical well was stimulated over five intervals, one in the Patchawarra Formation, one in the Daralingie Formation and three in the Toolachee Formation. The well cleaned up to a peak flow rate of approximately 0.4 MMscfd at a wellhead pressure of 50 psi and 22/64" choke. Gas analysis indicated approximately 70% methane and 30% CO₂. Hervey-1 was drilled to test the limits of the shallower zones in the Nappamerri Trough as part of the basin centred gas play. Results from Hervey-1 to date support the working hypothesis that these shallower zones are not as over-pressured in this south-easterly part of ATP 855.

The Redland-1 vertical well was stimulated over three intervals in the Toolachee Formation. Mechanical issues prevented the joint venture from ascertaining whether the target zone was effectively delivering gas to surface and consequently the well was shut-in.

With the ATP 855 Stage 1 work program now complete, Chevron must advise of its decision as to ATP 855 Stage 2 participation by 31 March 2015.

PRLs 33 to 49

(Beach 70% and operator, Chevron 30%)

The Boston-2 vertical well, located in PRL 37, was approved for fracture stimulation over eight stages. Stimulation was completed subsequent to half year-end.

This marked completion of the Stage 1 work program in the South Australian Nappamerri Trough permits. Beach notified Chevron of completion on 13 February 2015, and Chevron has up to 60 days after that date to respond with a decision on participation in Stage 2 in PRLs 33 to 49.

Drilling Etty-1



Cooper Basin Non-operated

South Australian Gas

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

The Swan Lake-11 appraisal well was drilled in the north-east sector of the Swan Lake Field and was cased and suspended following the intersection of gas pay in the Toolachee, Epsilon and Patchawarra formations and the Tirrawarra Sandstone. The well significantly extended the limits in the north-east sector of the Swan Lake Field.

Unconventional Gas

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

The three-well Gaschnitz Field exploration drilling campaign targeting the Toolachee, Epsilon and Patchawarra formations and Tirrawarra Sandstone continued, with activities focused on appraising reservoir characterisation and stimulation optimisation. Gaschnitz-3 and -4 were cased and suspended and Gaschnitz-2 reached total depth subsequent to half year-end.

Queensland Oil

Five exploration and appraisal wells were drilled with an overall success rate of 80%. Munro-8 (Beach 40%, Santos 60%) was drilled to appraise the northern extent of the Munro Field and was cased and suspended after intersecting oil pay in the Mid-Namur Sandstone. Tennaperra-4 (Beach 30%, Santos 70%) was drilled to appraise the northern area of the Tennaperra Field and was cased and suspended after intersecting oil pay in the Birkhead Formation and Namur Sandstone. Tickalara-25 and -26 (Beach 30%, Santos 70%) were drilled to appraise the north-east area of the Tickalara Field and were cased and suspended after intersecting oil pay in the McKinlay Member on the down-dip flank of the field.

PRLs 136 to 150 (formerly PEL 104 / 111)

(Beach 40%, Senex 60%)

The first Namur oil discovery in the permit area was achieved at the Martlet-1 exploration well, providing another primary target to the proven Birkhead oil play. The exploration well successfully intersected six metres of net oil pay in the Namur Sandstone. This discovery confirmed the extension to the north of the play that has delivered the prolific Bauer and Callawonga fields. Estimated additions of gross 1P, 2P and 3P oil reserves for Martlet-1 were 214 kbbl, 589 kbbl and 1,634 kbbl, respectively¹.

Overall exploration drilling success was 33%, with two wells plugged and abandoned.

The joint venture was granted Petroleum Retention Licenses 136 to 150 over the former PEL 104 and PEL 111 permits, which secures tenure over these licences for up to 15 years.

Australia – Otway Basin

T/49P – Offshore Otway

(Beach 30%, 3D Oil 70% and operator)

Acquisition of the 974 km² Flanagan 3D seismic survey, targeting prospects and leads in the north of the block, was completed in December 2014. Processing of data is now underway with identification of targets expected by the end of FY15.

As a result of Beach's cost contribution to the expanded Flanagan 3D seismic survey, an additional 10% interest in the T/49P permit was earned, taking Beach's ownership interest to 30%.

Australia – Bonaparte Basin

EP 126

(Beach 55% and operator, earning up to 85%, TOAG 45%)

The Cullen-1 exploration well was cased and suspended for future testing after intersecting 1,000 metres of limestone and inter-bedded shale, with evidence of natural fractures and elevated mud gas readings. In addition, 1,600 metres of dark grey to black marine shale were intersected with two cores cut for evaluation purposes, which will include gas desorption analyses.

International – Egypt

Abu Sennan Concession

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

Drilling success in the Abu Sennan Concession has continued with five wells intersecting hydrocarbons. During the period, three wells were completed, including a record oil intersection for Beach at the El Salmiya Field.

The El Salmiya-6 appraisal well intersected an 82 metre oil column, with 52 metres of net pay in the primary target Kharita Sandstone. The well was flow tested over a three hour period at 2,750 bopd and 9.7 MMscfd of gas through a 48/64" choke. The well is now producing.

A well bore re-entry project at ASA-1 ST3, targeting the Abu Roash "C" in the ASA Field, intersected seven metres of net pay in the primary target and 6.5 metres of net pay in the secondary target Abu Roash "E". The well is now producing after flow testing over a three hour period at 2,164 bopd from the "C" and 1,604 bopd from the "E" through a 64/64" choke.

1. As per announcement to the Australian Securities Exchange on 23 December 2014. Beach Energy is not aware of any new information or data that would materially affect the information contained in that announcement, and all underlying material assumptions and technical parameters continue to apply without material change. This preliminary reserves estimate was generated for each target reservoir formation using probabilistic volumetric methods.

The Al Jahraa-3 oil appraisal well was cased and completed as an Abu Roash “C” Member oil producer following the intersection of seven metres of net oil pay. This success has been followed up with the drilling of the Al Jahraa-4 oil appraisal well, some 3.3 kilometres south-east of Al Jahraa-3 and two kilometres south-east of Al Jahraa-2. Targeting the Abu Roash “C”, “D” and “E” Members, the well has reached total depth and is currently being flow tested after encountering oil shows in all targets. Wireline logs indicated eight metres of net pay over an 11 metre interval in the Abu Roash “C” which was flow tested at 1,561 bopd over a 5.5 hour production test through a 64/64” choke. The Abu Roash “D” Member has also been production tested attaining a maximum rate of 938 bopd through a 64/64” choke over a six hour period. The flow from the Abu Roash “D” Member is the first significant flow from this carbonate zone and confirms the potential of this zone in the permit.

The ASH-1X ST1 oil exploration well is drilling ahead in the Alam el Bueib. The well is primarily targeting the Alam El Bueib and Khatatba formations. Intermediate logging indicates that 10 metres of hydrocarbons have been

intersected over a 12 metre interval in the Alam El Bueib Formation. Drilling will continue to the primary target Khatatba Formation.

International – Tanzania

Lake Tanganyika

(Beach 30% and operator, Woodside 70% (subject to Tanzanian Government consents))

Subsequent to the half year-end, 2D seismic surveying in the prospective East African Rift was completed, which included 1,333 line kilometres of marine survey and 107 line kilometres of marine-land transition survey. Processing and interpretation of data is now underway and is expected to be completed by the end of FY15. The seismic surveys were programmed to verify drilling options identified from the aeromagnetic and gravity surveys, flown in 2010, and the 2,080 line kilometres of 2D seismic that was acquired in 2012. From these surveys Beach identified tilted fault blocks, low-side rollovers and mounded features as potential hydrocarbon traps.

During H1 FY15, Beach participated in 71 wells with a success rate of 85%.

Location	Category	Wells	Successes	Success Rate
Cooper and Eromanga basins	Gas – Exploration	4	-	-
	Gas – Exploration Unconventional	1	1	100%
	Gas – Appraisal	2	2	100%
	Gas – Appraisal Unconventional	1	1	100%
	Gas – Development	36	36	100%
	Oil – Exploration	6	3	50%
	Oil – Appraisal	7	4	57%
	Oil – Development	10	9	90%
Bonaparte	Gas – Exploration Unconventional	1	1	100%
Egypt	Oil – Exploration	1	1	100%
	Oil – Appraisal	1	1	100%
	Oil – Development	1	1	100%
	Total	71	60	85%
	Exploration	13	6	46%
	Appraisal	11	8	73%
	Development	47	46	98%

DIRECTORS

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

Glenn Stuart Davis

INDEPENDENT NON-EXECUTIVE CHAIRMAN

LLB, BEc, FAICD

Reginald George Nelson

MANAGING DIRECTOR

BSc, Hon Life Member Society of Exploration
Geophysicists, FAusIMM, FAICD

John Charles Butler

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

FCPA, FAICD, FIFS

Belinda Charlotte Robinson

INDEPENDENT NON-EXECUTIVE DIRECTOR

BA, MEnv Law, GAICD

Fiona Rosalyn Vivienne Bennett

INDEPENDENT NON-EXECUTIVE DIRECTOR

BA (Hons) FCA, FAICD, FAIM

Douglas Arthur Schwebel

INDEPENDENT NON-EXECUTIVE DIRECTOR

PhD B. Sc (Hons) (Geology)

Franco Giacomo Moretti (retired 1 July 2014)

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

BE (Hons), FIEAust, MAICD

ROUNDING OFF OF AMOUNTS

Amounts in the Interim Report have been rounded to the nearest thousand dollars in accordance with the option available in Class Order 98/100 issued by the Australian Securities and Investment Commission.

AUDITOR'S 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 review of the interim financial report. This Independence Declaration is made on the following page and forms part of this Directors' Report

Dated at Adelaide this 23rd day of February 2015 and signed in accordance with a resolution of the Directors.



G S Davis
Chairman



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

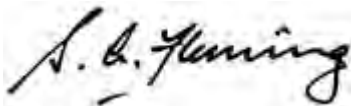
To: the directors of Beach Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014, there have been:

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read "K. Paul".

KPMG

A handwritten signature in black ink, appearing to read "S. A. Fleming".

S A Fleming
Partner

Adelaide

23 February 2015

**INTERIM FINANCIAL REPORT OF
BEACH ENERGY LIMITED AND
CONTROLLED ENTITIES**

**For the half year ended
31 December 2014**



Cooper Basin operations



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

CONSOLIDATED			
	Note	Dec 2014 \$000	Dec 2013 \$000
Sales revenue	3(a)	426,807	557,207
Cost of sales	4(a)	(312,883)	(317,598)
Gross profit		113,924	239,609
Other revenue	3(b)	4,433	2,267
Other income	3(c)	11,181	13,586
Other expenses	4(b)	(242,901)	(19,659)
Operating (loss)/profit before net financing costs		(113,363)	235,803
Interest income	4(c)	5,629	6,795
Finance expenses	4(c)	(2,431)	(22,125)
(Loss)/profit before income tax expense		(110,165)	220,473
Income tax benefit/(expense)	5	31,075	(59,995)
Net (loss)/profit after income tax expense		(79,090)	160,478
Net (loss)/profit after tax attributable to			
Owners of Beach Energy Limited		(79,090)	160,478
Basic (loss)/earnings per share (cents per share)	17	(6.11¢)	12.60¢
Diluted (loss)/earnings per share (cents per share)	17	(6.11¢)	11.98¢

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2014 \$000	Dec 2013 \$000
Net (loss)/profit after income tax for the period	(79,090)	160,478
Other comprehensive income, net of tax:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in fair value of available for sale financial assets	(26,104)	12,326
Tax effect	4,062	(3,124)
Net gain on translation of foreign operations	30,652	12,946
Total other comprehensive income net of tax	8,610	22,148
Total comprehensive (loss)/income	(70,480)	182,626
Total comprehensive (loss)/income attributable to		
Owners of Beach Energy Limited	(70,480)	182,626

This statement of comprehensive income is to be read in conjunction with the notes to the half year financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
	Note	Dec 2014 \$000	June 2014 \$000
Current assets			
Cash and cash equivalents		248,591	411,307
Trade and other receivables		113,196	126,869
Inventories		96,718	91,837
Derivative financial instruments		6,225	11
Other		4,376	7,894
Total current assets		469,106	637,918
Non-current assets			
Available for sale financial assets		44,227	70,331
Property, plant and equipment	8	472,355	440,724
Petroleum assets	9	777,788	872,097
Exploration and evaluation expenditure	10	627,029	541,741
Derivative financial instruments		777	21
Other		7,215	27,903
Total non-current assets		1,929,391	1,952,817
Total assets		2,398,497	2,590,735
Current liabilities			
Trade and other payables		143,037	160,052
Short term provisions		15,943	19,287
Tax liabilities		9,542	65,485
Borrowings	16	147,623	142,958
Derivative financial instruments	16	1	13,322
Total current liabilities		316,146	401,104
Non-current liabilities			
Trade and other payables		8,000	-
Deferred tax liabilities		143,317	187,088
Long term provisions		147,946	131,770
Total non-current liabilities		299,263	318,858
Total liabilities		615,409	719,962
Net assets		1,783,088	1,870,773
Equity			
Issued capital	7	1,247,484	1,239,942
Reserves		68,056	58,329
Retained earnings		467,548	572,502
Total equity		1,783,088	1,870,773

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

	\$000	\$000	\$000	\$000
For the half year ended 31 December 2014	Issued Capital	Retained Earnings	Reserves	Total Equity
1 July 2014 – opening balance	1,239,942	572,502	58,329	1,870,773
Loss after tax for the period	-	(79,090)	-	(79,090)
Other comprehensive income	-	-	8,610	8,610
Total comprehensive loss	-	(79,090)	8,610	(70,480)
DRP issue for final dividend	6,816	-	-	6,816
Shares issued under the terms of the Employee Share Purchase Plan	726	-	-	726
Dividends paid (final)	-	(25,864)	-	(25,864)
Increase in share based payments reserve – incentive options and rights	-	-	1,565	1,565
Decrease in share based payments reserve – forfeiture of incentive rights	-	-	(448)	(448)
Transactions with owners	7,542	(25,864)	1,117	(17,205)
31 December 2014 – closing balance	1,247,484	467,548	68,056	1,783,088

	\$000	\$000	\$000	\$000
For the half year ended 31 December 2013	Issued Capital	Retained Earnings	Reserves	Total Equity
1 July 2013 – opening balance	1,214,101	521,792	46,613	1,782,506
Profit after tax for the period	-	160,478	-	160,478
Other comprehensive income	-	-	22,148	22,148
Total comprehensive income	-	160,478	22,148	182,626
DRP issue for final dividend	10,625	-	-	10,625
Shares issued under the terms of the Employee Share Purchase Plan	268	-	-	268
Exercise of unlisted options	598	-	-	598
Dividends paid (final)	-	(25,396)	-	(25,396)
Increase in share based payments reserve – incentive options and rights	-	-	2,504	2,504
Decrease in share based payments reserve – forfeiture of incentive rights	-	-	(5)	(5)
Transactions with owners	11,491	(25,396)	2,499	(11,406)
31 December 2013 – closing balance	1,225,592	656,874	71,260	1,953,726

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2014 \$000	Dec 2013 \$000
Cash flows from operating activities		
Receipts from oil and gas operations	441,791	513,180
Payments to suppliers and employees	(249,744)	(239,030)
Interest received	7,270	7,877
Interest and borrowing costs paid	(3,382)	(4,306)
Derivative payments made	(201)	(487)
Income tax paid	(64,538)	(13,666)
Income tax refund	-	8,663
Other receipts	4,433	2,267
Net cash provided by operating activities	135,629	274,498
Cash flows from investing activities		
Proceeds from sale of non-current assets	86	71
Proceeds on sale of joint venture interests	-	18,890
Payments for property, plant and equipment	(54,957)	(49,183)
Payments for petroleum assets	(129,454)	(95,991)
Payments for exploration	(90,319)	(64,309)
Acquisition of exploration interests	(2,500)	-
Payment for restoration	(3,771)	(1,777)
Purchase of investments	-	(10,610)
Net cash used by investing activities	(280,915)	(202,909)
Cash flows from financing activities		
Proceeds from exercise of share options	-	598
Proceeds from employee incentive loans	726	268
Dividends paid	(19,048)	(14,771)
Net cash used by financing activities	(18,322)	(13,905)
Net (decrease)/increase in cash held	(163,608)	57,684
Cash at the beginning of the half year	411,307	347,601
Effect of exchange rate changes on the balances of cash held in foreign currencies	892	(990)
Cash at the end of the half year	248,591	404,295

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

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

NOTE 1 REPORTING ENTITY

Beach Energy Limited (**Beach** or the **Company**) is a company domiciled in Australia. The Half Year Financial Report of the Company for the half year ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the **consolidated entity**).

The 2014 Annual Report is available upon request from the Company's registered office at 25 Conyngham Street, Glenside, 5065 South Australia or at www.beachenergy.com.au.

NOTE 2 BASIS OF PREPARATION OF HALF YEAR REPORT

The Half Year Financial Report for the six months ended 31 December 2014 is a general purpose report prepared in accordance with Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. It is intended to provide users with an update on the latest annual financial statements of the consolidated entity and as such they do not include full disclosures of the type normally included in the annual report. It is recommended that they be read in conjunction with the 2014 Annual Report and any public announcements made by Beach during the half year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The Half Year Financial Report for the six months ended 31 December 2014 has been prepared in accordance with the accounting policies adopted in the 2014 Annual Report (except for the application of the standards specified below), and have been consistently applied by the entities in the consolidated entity.

The Half Year Financial Report for the six months ended 31 December 2014 has been approved and authorised for issue by the Board of Directors on 23 February 2015.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) effective for the current half year as detailed below:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting '
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
 - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
 - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
 - Part C: 'Materiality'
- Interpretation 21 'Levies'

The adoption of the above standards did not have any material effect on the financial position or performance of the consolidated entity.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
		Dec 2014 \$000	Dec 2013 \$000
NOTE 3 REVENUE AND OTHER INCOME			
(a)	Sales revenue		
	Crude oil	315,940	446,870
	- sales gas and ethane	69,848	55,571
	- liquified petroleum gas	21,209	27,337
	- condensate	19,810	27,429
	Gas and gas liquids	110,867	110,337
	Total sales revenue	426,807	557,207
(b)	Other revenue		
	- other	4,433	2,267
	Total revenue	431,240	559,474
(c)	Other income		
	- gain on sale of property, plant and equipment	247	-
	- foreign exchange gains	4,164	-
	- gain on crude oil hedging	6,770	-
	- gain on sale of joint venture interests	-	13,586
	Total other income	11,181	13,586
NOTE 4 EXPENSES			
(a)	Cost of sales		
	- operating costs	90,544	81,683
	- carbon cost	-	9,053
	- royalties	33,326	39,075
	Total cash production costs	123,870	129,811
	- depreciation and amortisation	112,520	82,854
	- third party oil and gas purchases	79,926	109,725
	- change in inventories	(3,433)	(4,792)
	Total cost of sales	312,883	317,598

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
		Dec 2014 \$000	Dec 2013 \$000
NOTE 4 EXPENSES (CONTINUED)			
(b)	Other expenses		
	Impairment		
	- impairment of exploration	30,216	40
	- impairment of petroleum and other assets	193,564	-
	Total impairment loss (refer note 12)	223,780	40
	Other		
	- employee benefits expense	10,323	10,604
	- exploration expenditure written off	1,964	1,798
	- foreign exchange losses	-	749
	- loss on crude oil hedging	-	491
	- loss on sale of property, plant and equipment	-	107
	- depreciation of property, plant and equipment	869	411
	- bad debts written off	-	17
	- other expenses	5,965	5,442
	Other expenses	19,121	19,619
	Total other expenses	242,901	19,659
(c)	Net financing (income)/expenses		
	- financing costs	2,694	2,414
	- interest expense	2,963	2,963
	- discount unwinding on convertible note	3,855	3,007
	- discount unwinding on provision for restoration	6,240	4,896
	- unrealised movement in value of convertible note conversion rights (refer note 16)	(13,321)	8,845
	Total finance expenses	2,431	22,125
	- interest income	(5,629)	(6,795)
	Net financing (income)/expenses	(3,198)	15,330

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
		Dec 2014 \$000	Dec 2013 \$000
NOTE 5 INCOME TAX			
(a)	Reconciliation of income tax expense calculated on operating (loss)/profit to income tax charged in the statement of profit or loss		
	Operating (loss)/profit	(110,165)	220,473
	Income tax (benefit)/expense calculated at 30 cents in the dollar	(33,050)	66,142
	(Decrease)/increase in income tax (benefit)/expense due to:		
	- share based payments	335	750
	- prior year over provision	(7,880)	(8,554)
	- impairment of overseas assets	9,065	-
	- international tax losses not recognised	638	557
	- international tax payable at higher tax rates	-	1,004
	- capital losses not recognised	657	47
	- derecognition of deferred taxes	(987)	-
	- other	147	49
	Income tax (benefit)/expense	(31,075)	59,995
(b)	Reconciliation of income tax expense calculated on net profit to income tax charged in the statement of profit or loss		
	Current tax	8,633	36,795
	Deferred tax	(39,708)	23,200
	Income tax (benefit)/expense	(31,075)	59,995

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2014 \$000	Dec 2013 \$000
NOTE 6 DIVIDENDS		
Final dividend of 2.0 cents per fully paid ordinary share declared on 27 August 2013 and paid on 27 September 2013.	-	25,396
Final dividend of 2.0 cents per fully paid ordinary share declared on 25 August 2014 and paid on 26 September 2014.	25,864	-
	25,864	25,396
	Dec 2014 \$000	Jun 2014 \$000
	Number	Number
NOTE 7 EQUITY SECURITIES ISSUED		
(a) Share capital	1,247,484	1,239,942
(b) Movement in fully paid ordinary shares		
Balance at beginning of period	1,291,999,670	1,268,647,188
Issues of shares under terms of employee share plan	-	121,935
Share issue on vesting of unlisted employee performance rights	898,136	6,595,670
Shares issued under the terms of the dividend reinvestment plan	4,599,080	13,950,900
Shares issued on exercise of unlisted options	-	2,683,977
Balance at end of period	1,297,496,886	1,291,999,670
(c) Movement in unlisted Long Term Incentive Options		
Balance at beginning of period	-	7,108,977
Exercised during the period	-	(2,683,977)
Lapsed during the period	-	(4,425,000)
Balance at end of period	-	-
(d) Movement in unlisted Long Term Incentive Rights		
Balance at beginning of period	7,526,330	11,767,747
Issued during the period	2,072,089	2,359,026
Converted to shares on vesting	(898,136)	(6,595,670)
Cancelled during the period	(2,922,520)	(4,773)
Balance at end of period	5,777,763	7,526,330

Employee Rights

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

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2014 \$000	Jun 2014 \$000
NOTE 8 PROPERTY, PLANT AND EQUIPMENT		
Balance at beginning of period	440,724	382,923
Additions	55,413	101,241
Transfer to exploration and evaluation expenditure	(1,500)	-
Disposals	(28)	(2,108)
Depreciation expense	(23,547)	(41,165)
Foreign exchange movement	1,293	(167)
Balance at end of period	472,355	440,724
NOTE 9 PETROLEUM ASSETS		
Balance at beginning of period	872,097	714,436
Additions	133,702	224,357
Increase in restoration	9,115	15,310
Impairment of petroleum assets	(157,400)	-
Transfer (to)/from exploration and evaluation expenditure	(118)	66,649
Disposals	-	(4,487)
Amortisation expense	(89,842)	(143,710)
Foreign exchange movement	10,234	(458)
Balance at end of period	777,788	872,097
NOTE 10 EXPLORATION AND EVALUATION EXPENDITURE		
Balance at beginning of period	541,741	579,376
Additions	91,956	195,303
Increase in restoration	2,010	912
Acquisition of joint venture interests	2,500	1,336
Transfer from/(to) petroleum assets	118	(66,649)
Transfer from property, plant and equipment	1,500	-
Exploration expenditure written off/impaired	(30,215)	(162,244)
Disposal of joint venture interests	-	(1,477)
Foreign exchange movement	17,419	(4,816)
Balance at end of period	627,029	541,741

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

NOTE 11 SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The consolidated entity has identified its operating segments to be its Cooper Basin interests, Other Australian interests 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 consolidated entity.

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

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

Details of the performance of each of these operating segments for the six month period ended 31 December 2014 and 31 December 2013 are set out below:

	Cooper		Other Australia		International		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Segment revenue								
Oil and gas sales to external customers	422,374	553,756	-	-	4,433	3,451	426,807	557,207
Segment results								
Gross segment result before depreciation, amortisation and impairment	225,760	322,055	(1,220)	(212)	1,904	620	226,444	322,463
Depreciation & amortisation	(110,088)	(80,476)	(14)	(14)	(2,418)	(2,364)	(112,520)	(82,854)
Impairment Loss	(193,564)	-	-	(40)	(30,216)	-	(223,780)	(40)
	(77,892)	241,579	(1,234)	(266)	(30,730)	(1,744)	(109,856)	239,569
Other income					4,433	2,267	4,433	2,267
Other revenue							11,181	13,586
Net financing income/(costs)							3,198	(15,330)
Other expenses (1)							(19,121)	(19,619)
Profit before tax							(110,165)	220,473
Income tax benefit/(expense)							31,075	(59,995)
Net (loss)/profit after tax							(79,090)	160,478

(1) Impairment losses have been disclosed separately in segment results as shown above.

Details of the assets of each of these operating segments for the period ended 31 December 2014 and 30 June 2014 are set out below:

	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
	2014	2014	2014	2014	2014	2014	2014	2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Segment assets	1,678,446	1,699,688	97,527	81,906	212,576	200,799	1,988,549	1,982,393
Total corporate and unallocated assets							409,948	608,342
Total consolidated assets							2,398,497	2,590,735

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

NOTE 11 SEGMENT INFORMATION (continued)

Details of the liabilities of each of these operating segments for the period ended 31 December 2014 and 30 June 2014 are set out below:

	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Segment liabilities	240,040	229,417	39,529	34,939	2,373	5,017	281,942	269,373
Total corporate and unallocated liabilities							333,467	450,589
Total consolidated liabilities							615,409	719,962

NOTE 12 CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

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

In preparing this Half Year Financial Report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2014 except for impairment as detailed below.

Impairment of assets

The consolidated entity assesses whether non-financial assets are impaired on a bi-annual basis. This requires an estimation of the recoverable amount of the area of interest to which each asset belongs. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is assessed on the basis of the expected net cash flows that will be received from the assets continued employment and subsequent disposal. For oil and gas assets the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices where applicable or based on market consensus prices where available. For the current half year period, Beach's impairment analysis has been based on Brent oil price assumptions of US\$55/bbl in 2015, US\$70/bbl in 2016, US\$80/bbl in 2017 and US\$90/bbl beyond 2017, with a prevailing A\$/US\$ exchange rate assumed consistent at 0.80 in all years. Where appropriate the cash flow inputs have been adjusted to reflect identifiable uncertainty and risk. A recoverable amount is then determined by discounting the expected net cash flows to their present values using a pre-tax real discount rate of between 8% and 10% to take into account the risks that have not already been adjusted for in the cash flows. Where an asset does not generate cash flows that are largely independent of other assets or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

For the half year ended 31 December 2014, Cooper Basin assets have been impaired, on an area of interest basis, by \$193.6 million reflecting the current environment of lower oil prices while the value of Romanian interests has been reduced \$30.2 million to nil, with no further exploration scheduled.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

NOTE 13 FINANCIAL RISK MANAGEMENT

The consolidated entity is involved in activities that expose it to a variety of financial risks including currency risk, fair value risk, interest rate risk and commodity pricing risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as foreign exchange contracts, commodity hedging contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by Senior Management under guidelines and policies approved by the Board.

NOTE 14 CONTINGENCIES

There has been no material change to the aggregate of contingent assets or contingent liabilities since 30 June 2014 other than detailed below:

Loan facilities

In July 2013, Beach negotiated a \$320 million syndicated loan 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. As at 31 December 2014, both loan facilities were undrawn while \$19.4 million of the letter of credit facility had been utilised by way of bank guarantees.

NOTE 15 COMMITMENTS

There has been no material change to the commitments disclosed in the 2014 Annual Report.

NOTE 16 FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

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

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

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

**NOTE 16 FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES
(CONTINUED)**

The Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2014 and 30 June 2014 on a recurring basis are as follows:

	Level 1		Level 2		Level 3		Total	
	Dec 2014	Jun 2014	Dec 2014	Jun 2014	Dec 2014	Jun 2014	Dec 2014	Jun 2014
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets								
Derivatives	-	-	7,002	32	-	-	7,002	32
Available for sale	44,227	70,331	-	-	-	-	44,227	70,331
Total	44,227	70,331	7,002	32	-	-	51,229	70,363
Financial liabilities								
Borrowings	-	-	147,623	142,958	-	-	147,623	142,958
Derivatives	-	-	1	13,322	-	-	1	13,322
Total	-	-	147,624	156,280	-	-	147,624	156,280
Net fair value	44,227	70,331	(140,622)	(156,248)	-	-	(96,395)	(85,917)

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

Derivative financial instruments

The fair value of derivative financial instruments are determined using valuation techniques that maximise the use of observable market data where it is available. The consolidated entity's derivatives are not traded in active markets, however all significant inputs required to fair value an instrument are observable (Level 2).

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).

Convertible notes

In April 2012, Beach issued A\$150 million of Convertible Notes (Notes) which are convertible into Beach Ordinary Shares until March 2017. The conversion rights can be settled in cash or ordinary shares of the parent entity, at the option of the issuer, and the number of shares to be issued at conversion is subject to the conversion price which may reset under certain circumstances. Accordingly, the conversion rights are a derivative financial liability and are fair valued each reporting period using a range of observable inputs (Level 2). Holders have the right to have the Notes redeemed at the issue price together with any accrued interest on the third anniversary of issue being 3 April 2015 (investor put date) or following a delisting or change of control event.

The 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.

NOTES TO THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2014

Beach Energy Limited and Controlled Entities

**NOTE 16 FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES
(CONTINUED)**

The consolidated entity did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2014 and there have been no transfers between the levels of the fair value hierarchy during the half year to 31 December 2014.

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

NOTE 17 EARNINGS PER SHARE

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

	Dec 2014 \$000	Dec 2013 \$000
Basic (loss)/earnings per share	(79,090)	160,478
After tax interest saving on convertible notes assuming conversion for the period	-	2,091
Diluted (loss)/earnings per share	(79,090)	162,569

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

	Dec 2014 Number	Dec 2013 Number
Basic (loss)/earnings per share	1,295,292,445	1,273,750,817
Convertible notes	-	77,162,735
Share rights	-	6,636,175
Diluted (loss)/earnings per share	1,295,292,445	1,357,549,727

NOTE 18 EVENTS OCCURRING AFTER THE BALANCE DATE

There has not been in the period since 31 December 2014 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than as mentioned elsewhere in this half year financial report.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 19 to 34, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
 - (b) comply with Accounting Standard *AASB 134 Interim Financial Reporting*, and the *Corporations Regulations 2001*.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 23rd day of February 2015.

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

A handwritten signature in black ink, appearing to read "G S Davis", written over a faint, light-colored rectangular stamp or watermark.

G S Davis
Chairman



Independent auditor's review report to the members of Beach Energy Limited

We have reviewed the accompanying interim financial report of Beach Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2014, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 18 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Beach Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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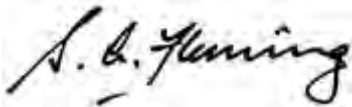
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Beach Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read "K. Paul", written over a faint KPMG logo.

KPMG

A handwritten signature in black ink, reading "S. A. Fleming", written over a faint KPMG logo.

S A Fleming
Partner

Adelaide

23 February 2015