HALF YEAR REPORT

For the six months ended
31 December 2019

Including: Appendix 4D Disclosures

Beach Energy Limited
ABN 20 007 617 969

Disclaimer

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

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

References to planned activities in FY20 and beyond FY20 may be subject to finalisation of work programs, government approvals, JV approvals and board approvals.

In This Report

Corporate Directory

Chairman
Glenn Stuart Davis
LLB, BEc, FAICD
Independent non-executive

Deputy Chairman
Colin David Beckett
FIEA, MICE, MAICD
Independent non-executive

Directors
Philip James Bainbridge
BSc (Hons) (Mechanical Engineering), MAICD
Independent non-executive

Matthew Vincent Kay
BEc, MBA, FCPA, GAICD
Managing Director

Sally-Anne Layman
BEng (Mining) Hon, BCom, CPA, MAICD
Independent non-executive

Peter Stanley Moore
PhD, BSc (Hons), MBA, GAICD
Independent non-executive

Joycelyn Cheryl Morton
BEc, FCA, FCPA, FIPA, FCIS, FAICD
Independent non-executive

Richard Joseph Richards
BComs/Law (Hons), LLM, MAppFin, CA, Admitted Solicitor
Non-executive

Ryan Kerry Stokes
BComm, FAIM
Non-executive

Company Secretary
Peter Kupniewski
LL.B/LP

Registered Office
Level 8, 80 Flinders Street
ADELAIDE SA 5000

Telephone: (08) 8338 2833
Facsimile: (08) 8338 2336
Email: info@beachenergy.com.au

Share Registry – South Australia
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell St
ADELAIDE SA 5000

Telephone: (08) 8236 2300
Facsimile: (08) 8236 2305

Auditors
Ernst & Young
Level 12/121 King William Street
ADELAIDE SA 5000

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

Beach Energy Limited
ABN 20 007 617 969

Website
www.beachenergy.com.au

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2019
(RULE 4.2A)

ABN	20 007 617 969
Previous Corresponding Period	31 December 2018

Results for announcement to the market

				$A million
Revenues from ordinary activities	**Decreased**	**(10%)**	**to**	**948.3**
Net profit from ordinary activities after tax (NPAT) attributable to members	**Decreased**	**(2%)**	**to**	**278.5**
NPAT for the period attributable to members	**Decreased**	**(2%)**	**to**	**278.5**
Underlying NPAT*	**Decreased**	**(2%)**	**to**	**273.5**

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

Dividends	Amount per Security	Franked amount per Security
Fully franked final dividend paid (on 30 September 2019)	1.00 cent	1.00 cent
Fully franked interim dividend to be paid	1.00 cent	1.00 cent
Record date for determining entitlements to the interim dividend		28 February 2020
Payment date for interim dividend		31 March 2020

This Half Year Report is to be read in conjunction with the 2019 Annual Report.

Net asset backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$1.08	$0.90

Change in ownership of controlled entities

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

Dividends

	Current Period $million	Previous Corresponding Period $million
Ordinary Securities	22.8	22.7

None of these dividends are foreign sourced.

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

The directors of Beach Energy Limited (Beach or the Company) present their report for the half year ended 31 December 2019 and the state of affairs of the Company at that date. The Company's consolidated financial statements for the half year ended 31 December 2019, presented on pages 13 to 25, form part of this report.

Operating results, review of operations, state of affairs and likely developments

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

Key Results		**H1 FY20**	H1 FY19	Change
Operations				
Production	MMboe	**13.0**	15.2	(15%)
Sales	MMboe	**13.4**	16.0	(16%)
Capital expenditure	$m	**424.0**	180.0	(136%)
Income				
Sales revenue	$m	**900.0**	954.7	(6%)
Total revenue	$m	**948.3**	1,057.2	(10%)
Cost of sales	$m	**(550.0)**	(603.1)	9%
Gross profit	$m	**398.3**	454.1	(12%)
Other income	$m	**18.2**	17.3	5%
Net profit after tax (NPAT)	$m	**278.5**	282.9	(2%)
Underlying NPAT*	$m	**273.5**	278.8	(2%)
Dividends paid	cps	**1.00**	1.00	0%
Dividends announced	cps	**1.00**	1.00	0%
Basic EPS	cps	**12.22**	12.42	(2%)
Underlying EPS*	cps	**12.00**	12.24	(2%)
Cash flows				
Operating cash flow	$m	**351.4**	478.9	(27%)
Investing cash flow	$m	**(419.0)**	(153.9)	(172%)

		As at 31 December 2019	As at 30 June 2019	Change
Financial position				
Net assets	$m	**2,631.5**	2,374.4	11%
Cash balance	$m	**95.1**	171.9	(45%)

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Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

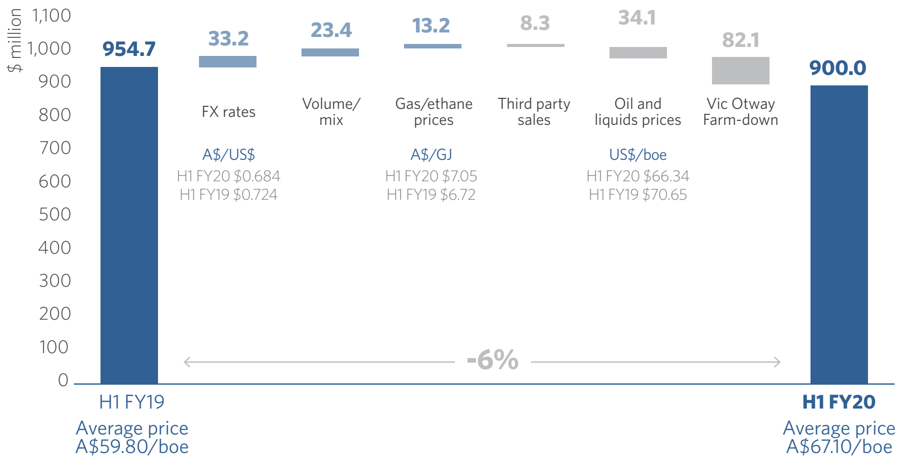
Financial Review

Revenue

Sales revenue of $900 million in H1 FY20 was $54.7 million (6%) lower than H1 FY19, as a result of the Victorian Otway farm-down of $82.1 million, lower realised liquids prices of $34.1 million and lower third party sales of $8.3 million partly offset by lower FX rates of $33.2 million, a higher proportion of oil in the sales mix of $23.4 million as well as higher realised gas and ethane prices of $13.2 million.

Sales revenue was lower primarily driven by a 40% reduction in Victorian Otway working interest to 60% through H1 FY20 (H1 FY19 100%) as a result of the farm-down to O.G Energy which completed in H2 FY19. Sales from third party product decreased revenue by $8.3 million. Higher gas and ethane prices increased revenue by $13.2million. Lower US dollar oil and liquids prices were experienced in H1 FY20, impacting revenue by $34.1 million in comparison to H1 FY19, with the average realised liquids price decreasing to US$66.34/boe, down US$4.31/boe from H1 FY19, which is offset by a lower A$/US$ exchange rate in H1 FY20, resulting in a $33.2 million increase in revenue on H1 FY19. Average price realised per boe was higher in H1 FY20 reflecting a higher proportion of oil sales in the sales mix with lower gas volumes being sold.

Sales Revenue Comparison

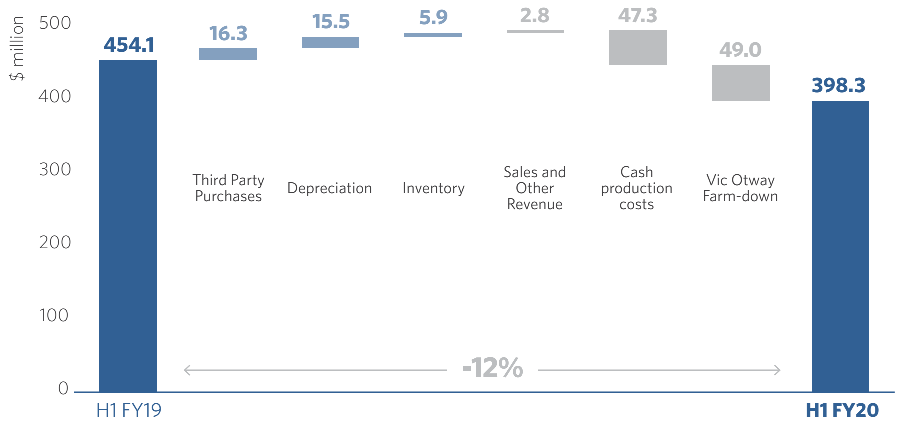


Gross Profit

Gross profit for H1 FY20 of $398.3 million (H1 FY19 $454.1 million) was down 12% primarily driven by the reduced Victorian Otway equity interest in H1 FY20 along with higher cash production costs due to the increased production across the Cooper Basin partly offset by lower third party purchases, depreciation and inventory movements.

The decrease in cost of sales down 9% from H1 FY19 to $550.0 million is principally due to the reduced Victorian Otway equity interest. Lower third party purchases of $16.3 million are the result of lower prices and a change in mix of own and third party product. Depreciation is lower due to increases in reserve lives. The decrease in inventory charges of $5.9 million reflects timing of shipments and movement in gas inventory. Cash production costs are higher due to operating costs, tariffs and tolls and royalties driven from increased production across the Cooper Basin.

Gross Profit Comparison



Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Financial Review continued

Net Profit Result

Other income of $18.2 million is $0.9 million higher than H1 FY19, and includes foreign exchange gains of $0.8 million, gain on sale of joint operations of $8.6 million and joint venture lease recoveries, in accordance with the implementation of AASB 16 of $8.4 million. In the prior period an unrealised gain on 3-way collar oil price hedging of $13.5 million was reported.

Other expenses of $11.1 million were down $8.6 million from H1 FY19 primarily due to lower corporate costs. This is offset by the recognition of an impairment expense in relation to exploration permits during H1 FY20 of $1.4 million.

The reported net profit after income tax of $278.5 million is $4.4 million lower than H1 FY19, primarily due to lower gross profit, as a result of the reduced Victorian Otway equity interest in H1 FY20 partly offset by lower financing expenses and corporate costs.

By adjusting the H1 FY20 profit to exclude non-recurring asset sales and impairment, Beach's underlying net profit after tax is $273.5 million.

Comparison of underlying profit	**H1 FY20 $ million**	H1 FY19 $ million	Movement from PCP $ million	
Net profit after tax	278.5	282.9	(4.4)	(2%)
Adjusted for:				
Acquisition costs and write-off of debt establishment fees	–	7.7	(7.7)	
Gain on asset sales	(8.6)	–	(8.6)	
Unrealised hedging movements	–	(13.5)	13.5	
Impairment of exploration asset	1.4	–	1.4	
Tax impact of above changes	2.2	1.7	0.5	
Underlying net profit after tax*	273.5	278.8	(5.3)	(2%)

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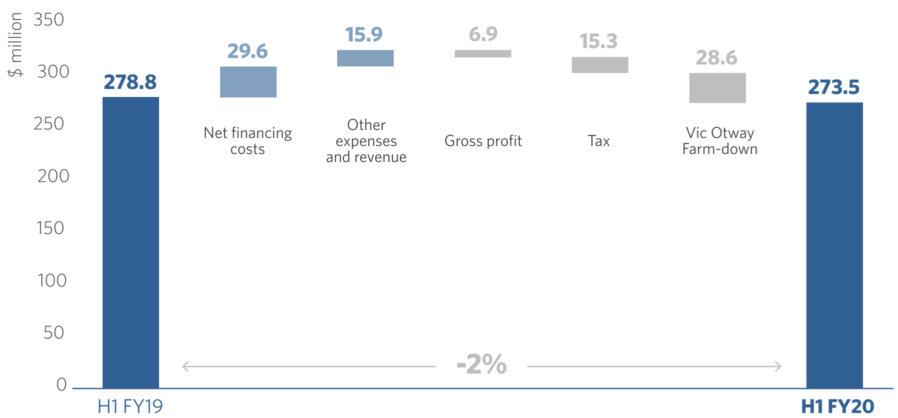
Underlying Net Profit After Tax Comparison



Directors' Report
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Financial Review continued
Financial Position

Assets
Total assets increased by $253.3 million to $4,167.2 million during the period.

Cash balances decreased by $76.8 million to $95.1 million, primarily due to:
- Cash inflow from operations of $351.4 million, offset by
- Cash outflow from financing activities of $419.0 million,
- Cash outflow from investing activities of $13.6 million.

Receivables decreased by $3.9 million as a result of timing of settlements from Joint Venture partners, partly offset by higher sales accruals, primarily driven by higher prices at period end. Inventories increased by $8.4 million. Assets held for sale decreased by $6.7 million, as a result of the finalisation of the farm-down of Beharra Springs, which completed in November 2019. Other assets increased by $31.9 million, primarily driven by higher prepayments as a result of the ramp up in the Victorian Otway development campaign.

Property, plant & equipment, petroleum assets and exploration and evaluation assets increased by $236.1 million. Capital expenditure of $413.6 million, increases for restoration of $18.9 million and the capitalisation of depreciation of lease assets under AASB 16 Leases of $15.6 million were partly offset by depreciation and amortisation of $212.7 million. Deferred tax assets decreased by $33.4 million. Lease assets of $100.5 million are the result of adoption of AASB 16 Leases.

Liabilities
Total current and non-current liabilities decreased by $3.8 million to $1,535.7 million, mainly due to a reduction in current tax liabilities of $151.4 million and the unwind of current and non-current contract liabilities of $25.8 million, offset by the inclusion of current and non-current lease liabilities, as a result of the adoption of AASB 16 Leases of $101.1 million, new non-current borrowings net of debt issuance costs of $30.3 million, higher non-current provisions of $15.9 million and higher current payables of $25.1 million.

Equity
Total equity increased by $257.1 million, primarily due to the net profit after tax of $278.5 million, partly offset by the final dividend paid of $22.8 million.

Dividends
During H1 FY20, the Directors declared and paid a 1.0 cent per share fully franked final dividend. The Company will also pay a fully franked interim dividend of 1.0 cent per share for the current financial year.

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Operations Overview

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

Beach reporting segments are:

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

Production (net to Beach)

	H1 FY19	H1 FY20				
	Oil Equivalent (MMboe)	Oil (MMbbl)	Gas liquids (MMboe)	Gas (PJ)	Oil Equivalent (MMboe)	Year-on-year change
Western Flank	3.3	3.4	0.3	4.4	4.5	33%
Cooper Basin JV	4.2	0.7	0.5	17.3	4.2	0%
Other Cooper Basin	0.0	–	0.0	0.2	0.0	(11%)
Perth Basin	0.4	–	0.0	1.4	0.2	(34%)
SAWA	**8.0**	**4.1**	**0.8**	**23.3**	**8.9**	**12%**
Otway Basin	4.8	–	0.2	10.9	2.1	(55%)
Bass Basin	0.9	–	0.1	2.7	0.6	(36%)
Victoria	**5.7**	**-**	**0.4**	**13.5**	**2.7**	**(52%)**
New Zealand	**1.5**	**-**	**0.4**	**5.3**	**1.3**	**(16%)**
Total Production	15.2	4.1	1.6	42.2	13.0	(15%)

Note that due to rounding, figures may not reconcile to totals.

Drilling

Basin	Target	Type	Wells drilled	Successful*	Rate
Cooper/Eromanga Basins	Oil	Exploration	–	–	–
		Appraisal	30	16	53%
		Development	21	21	100%
	Gas	Exploration	6	5	83%
		Appraisal	14	12	86%
		Development	31	30	97%
SA Otway	Gas	Exploration	1	1	100%
		Appraisal	1	1	100%
Perth Basin	Gas	Exploration	1	1	100%
Total wells drilled			105	87	83%

* Drilling success defined throughout as wells cased and suspended or completed as future producers or water injectors.

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Operations Overview continued

SAWA

Perth Basin

Operations

Perth Basin operations accounted for 2% of Beach's H1 FY20 production. Net Perth Basin production in H1 FY20 of 0.2 MMboe was 34% lower than the prior half year due to lower customer nominations and planned facility downtime.

Development

Construction work commenced on the Stage 1 expansion of the Xyris gas processing facility from 10 to 20 TJ/day output. The expansion incorporates a large diameter pipeline (with capacity for future Waitsia Gas Project Stage 2 production volumes) connecting the Xyris facility to the DBNGP. Stage 1 expansion is expected to be completed in early FY21.

The Waitsia joint venture continued to progress commercialisation plans for Waitsia Gas, with FID targeted by the end of FY20.

Exploration and appraisal

A new gas discovery was announced at Beharra Springs Deep-1 in the Kingia Formation, which is the main objective reservoir in the nearby Waitsia Field. Flow testing was undertaken in December (refer ASX Announcement #044/19) with flow rates of up to 46 MMscfd observed on test, constrained by tubing size. The 96 hour main flow period was conducted at a rate of 35 MMscfd with flow rates and flowing well head pressures stable throughout. The flow testing demonstrates similar well productivity characteristics to the Waitsia-3 and Waitsia-4 wells.

In EP 320 the Trieste 3D seismic survey commenced. The survey is planned to cover a 200 km^2 area to the south east of Beharra Springs.

Commercial

On November 29, 2019, Beach completed the farm out of a 17% interest in production licences L11 and L22 (Beharra Springs), exploration permit EP 320 and pipeline licence PL 18 in the Perth Basin to MEPAU. Following the completion of the transaction the participating interests in the area are Beach 50% and MEPAU 50%. As a result of the transaction, Beach reports production from Beharra Springs at 67% working interest from 1 July 2019 to 30 November 2019 and 50% thereafter. Beach remains operator.

Description

Producing licence areas are Waitsia (Beach 50%, MEPAU 50% and operator) in licence L1/L2 and Beharra Springs (Beach 50% and operator, MEPAU 50%) in licences L11 and L22.

Western Flank Oil and Gas

Operations

Western Flank oil operations accounted for 26% of Beach's H1 FY20 production. The connection of new oil wells, artificial lift installation and debottlenecking activities resulted in an increase in Beach's share of Western Flank oil production to 3.4 MMbbl, representing a 44% increase on H1 FY19.

Western Flank gas operations accounted for 8% of Beach's H1 FY20 production. Western Flank gas/gas liquids production increased to 1.1 MMboe in H1 FY20, representing an 8% increase on H1 FY19 levels underpinned by the connection of new liquids rich gas wells and high facility reliability.

Development

Beach drilled 20 operated Western Flank oil development wells and participated in one non-operated development well at a 100% success rate. Notable outcomes included:

- 12 Beach-operated horizontal oil development wells drilled across the Bauer, Kalladeina, Chiton and Congony fields in ex PEL 91. All wells were successfully cased and suspended as future producers.
- A Bauer field horizontal well achieved the longest lateral length drilled by Beach in the Western Flank to date at 1,629 metres.

Exploration and appraisal

Beach drilled 25 operated Western Flank oil and gas exploration and appraisal wells (22 oil, 3 gas) with 12 wells (10 oil, 2 gas) cased and suspended as future producers, equivalent to a success rate of 48%.

22 oil appraisal wells were drilled by Beach on the Bauer, Chiton, Hanson and Arno fields in ex PEL 91 and Parsons, Callawonga, and Butlers in ex PEL 92. The campaigns successfully added 10 new producers and provided appraisal information for potential future development campaigns.

Appraisal activity in the Bauer Field added new oil production wells and identified field extensions in both the northern and southern parts of the field. Further potential for appraisal and development drilling is to be evaluated utilising production data from the wells.

The Beach-operated gas drilling campaign completed early in the half with success at the last two appraisal wells, Crockery West-1 and Ralgnal East-1.

In the non-operated program, Beach participated in three Senex-operated appraisal wells in ex PEL 104/111, at a success rate of 67% which included horizontal oil appraisal well Growler Northeast-2. Beach's CBOS drilling commitments with Senex were completed during the first half drilling campaign.

Description

Western Flank oil producing areas are ex PEL 91 (Beach 100%), ex PEL 92 (Beach 75% and operator, Cooper Energy 25%) and ex PEL 104/111 (Beach 40%, Senex 60% and operator).

Western Flank gas producing areas include ex PEL 106 (Beach 100%), ex PEL 91 (Beach 100%) and the Udacha Block – PRL 26 (Beach 100%).

Cooper Basin Joint Venture

Operations

The Cooper Basin JV operations accounted for 32% of Beach's H1 FY20 production. Production was stable against H1 FY19 at 4.2 MMboe. Net gas and gas liquids production of 3.5 MMboe (sales gas of 3.0 MMboe and gas liquids of 0.5 MMboe) was up 4% on the prior half year driven by new well connections after higher gas drilling activity, while net oil production of 0.7 MMbbl was down 5% on the prior half year due to natural field decline.

Exploration, Appraisal and Development

Beach participated in 53 Cooper Basin JV wells: five gas exploration, 12 gas appraisal, 31 gas development and five oil appraisal wells, at an overall success rate of 92%.

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Operations Overview continued

Description

Beach owns non-operated interests in the South Australian Cooper Basin joint ventures (collectively 33.40% in SA Unit and 27.68% in Patchawarra East), the South West Queensland joint ventures (various interests of 30% to 52.2%) and ATP 299 (Tintaburra) (Beach 40%), which are collectively referred to as the Cooper Basin JV.

Victoria

Victorian Otway Basin

Operations

Victorian Otway Basin operations accounted for 16% of Beach's H1 FY20 production. Net Otway Basin production in the first half was 2.1 MMboe, 55% lower than the prior half year when Beach owned 100% of the Victorian Otway assets. Lower H1 FY20 production is driven by the sale of a 40% interest in the Victorian Otway assets which completed in May 2019, lower customer nominations and natural field decline.

Exploration, Appraisal and Development

Activities during H1 FY20 related to pre-drill preparation for the upcoming near shore and offshore drilling campaigns. The Ensign 931 rig was moved to Victoria to drill the near shore Black Watch-1 development well, which spudded subsequent to the end of H1 FY20. Black Watch-1 is an extended reach development well where an offshore gas field is being drilled from an onshore drilling location. Beach also commenced site preparation at the Enterprise-1 extended reach gas exploration well drill site, after Victorian Government regulatory approvals were received in January.

Refurbishment activities continued on the Ocean Onyx semi-submersible rig in Singapore. The rig is currently scheduled to arrive in Australia in March and spud the first well in our offshore drilling program, Artisan-1 (Beach 60% interest), soon thereafter.

Description

Victorian Otway Basin (Beach 60% and operator) includes licences VIC/L1(v) and VIC/P42(v) which contain the Halladale, Black Watch and Speculant near shore gas fields and licences VIC/L23, T/L2 and T/L3 which contain the Geographe and Thylacine offshore gas fields. Victorian Otway Basin also includes non-producing offshore license areas of VIC/P43 (Beach 60% and operator), VIC/P73 (La Bella) and T/30P (Beach 100% and operator). Gas from all producing fields is processed at the Otway Gas Plant.

BassGas

Operations

BassGas accounted for 5% of Beach's H1 FY20 production. Net BassGas production in H1 FY20 was 0.6 MMboe down 36% over the prior half year due to lower customer nominations.

Development

Development studies continued on the Trefoil, Rockhopper and White Ibis gas fields located in the retention leases.

Commercial

Following execution of a new GSA with Alinta Energy in the first half, Beach's equity share of gas production from the BassGas Project is fully contracted for calendar 2020 and 2021. Terms and conditions regarding the gas sales remain confidential.

Description

The BassGas Project (Beach 53.75% and operator, MEPAU 35%, Prize Petroleum International 11.25%), produces gas from the Yolla field, situated approximately 140 kilometres off the Gippsland coast in production licence T/L1. Gas from Yolla is piped to a gas processing facility located near the township of Lang Lang approximately 70 kilometres southeast of Melbourne. Beach also holds a 50.25% operated interest in licenses TR/L2, TR/L3, TR/L4 and TR/L5.

New Zealand

Kupe

Operations

New Zealand operations accounted for 10% of Beach's H1 FY20 production. Net New Zealand production in H1 FY20 was 1.3 MMboe, down 16% over H1 FY19, as continued high customer demand and high facility reliability were offset by the full plant statutory shutdown in November 2019. The shutdown was successfully completed on time and on budget.

Development, Exploration and Appraisal

Development activities focussed on the Kupe onshore compression project, with FID taken in July 2019. The project is expected to be completed by the end of FY21 and is expected to support the extension of plateau production until FY24.

Description

New Zealand operations comprise Kupe (Beach 50% and operator, Genesis 46%, NZOG 4%) in the Taranaki Basin. Kupe produces gas from the Kupe Field, situated approximately 30 kilometres off the New Zealand North Island, in licence PML38146. Gas from the Kupe Field is piped to the onshore Kupe production station.

Growth assets

SA Otway Basin

Drilling was completed at two gas wells in the SA Otway Basin.

Conventional gas appraisal well Haselgrove-4 in PPL62 (Beach 100%) encountered gas-bearing sands. The well was completed for production testing however downhole mechanical issues meant that a valid production test was unable to be completed. Beach is currently expecting to side-track the well in H2 FY20.

Conventional gas exploration well Dombey-1 was drilled in PEL 494 (Beach 70% and operator, Cooper Energy 30%) and announced as a new gas discovery. Flow testing occurred over 5 days in December and was followed by a shut-in period of 32 days. Data obtained from the flow test and shut-in period indicates the possibility that Dombey-1DW1 has drilled a small compartment partially connected to a broader accumulation. The Joint Venture is considering acquiring 3D seismic data to better define the gas field from which future Dombey appraisal plans, and exploration of the greater permit, may be based. Dombey-1 is part-funded through a $6.89 million PACE Gas Round 2 grant by the South Australian Government.

Construction of a 10 TJ/d gas facility continued at the site of the previous Katnook facility.

Carnarvon Basin

In the WA-359-P joint venture work continues in relation to preparation for drilling of the Ironbark exploration well in late calendar year 2020. The WA-349-P joint venture comprises BP 42.5% and operator, Cue 21.5%, Beach 21% and NZOG 15%.

Beach retains a call option over a 7.5% interest in neighbouring WA-409-P.

Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Operations Overview continued

Bonaparte Basin

The Santos-operated JV continued its work program with the focus being interpretation of the new Bethany 3D seismic data for prospect mapping and planning seismic acquisition in the Petrel Sub-basin.

Canterbury Basin

Work continued on the Wherry prospect with the joint venture completing analysis of newly reprocessed seismic data, finalising the well location and preparing applications for environmental approvals for future operations.

Great South Basin

Beach agreed to acquire a 30% interest in exploration permit PEP50119, in the Great South Basin, offshore New Zealand (see ASX Announcement #045/19). PEP50119 contains the undrilled Tawhaki exploration prospect, which has a mapped closure area of up to 470 km^2. The transaction is subject to New Zealand government and regulator approval.

On 8 January 2020 the Tawhaki-1 (OMV 52.93% and operator, Beach 30%, MEPAU 17.07%) exploration well spudded.

FY20 Full Year Outlook

During the second half of FY20, Beach plans to continue to execute on its multi-pillar strategy.

Optimise our operated and non-operated producing assets:

- Focus on operating costs – $30 million reduction in direct controllable operating costs by the end of FY20 (relative to FY18 baseline);
- Execute Cooper Basin FY20 drilling program; and
- Progress Kupe compression project.

Strengthen our complementary gas businesses:

- Continue executing Victorian Otway development program to keep the Otway Gas Plant as full as possible;
- Drill exploration wells Enterprise and Artisan; and
- Waitsia Stage 2 FID.

Pursue other compatible growth opportunities:

- Continue progressing and replenishing frontier exploration portfolio.

Maintain financial strength:

- Disciplined capital management.

Our People and culture:

- Continued focus on enabling and engaging our employees and contractors.

Directors

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

Glenn Stuart Davis

INDEPENDENT NON-EXECUTIVE CHAIRMAN
LLB, BEc, FAICD

Colin David Beckett

INDEPENDENT NON-EXECUTIVE DIRECTOR
AND DEPUTY CHAIRMAN
FIEA, MICE, MAICD

Philip James Bainbridge

INDEPENDENT NON-EXECUTIVE DIRECTOR
BSc (Hons)(Mechanical Engineering), MAICD

Matthew Vincent Kay

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
BEc, MBA, FCPA, GAICD

Sally-Anne Layman

INDEPENDENT NON-EXECUTIVE DIRECTOR
B Eng (Mining) Hon, BCom, CPA, MAICD

Peter Stanley Moore

INDEPENDENT NON-EXECUTIVE DIRECTOR
PhD, BSc (Hons), MBA, GAICD

Joycelyn Cheryl Morton

INDEPENDENT NON-EXECUTIVE DIRECTOR
BEc, FCA, FCPA, FIPA, FCIS, FAICD

Richard Joseph Richards

NON-EXECUTIVE DIRECTOR
BComs/Law (Hons), LLM, MAppFin, CA, Admitted Solicitor

Ryan Kerry Stokes

NON-EXECUTIVE DIRECTOR
BComm, FAIM

Rounding off of amounts

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

Events occurring after the balance date

There has not been in the period since 31 December 2019 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Auditor's Independence Declaration

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

Dated at Adelaide this 11th day of February 2020 and signed in accordance with a resolution of the directors.

G S Davis
Chairman

Auditor's Independence Declaration

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

Auditor's Independence Declaration to the Directors of Beach Energy Limited

As lead auditor for the review of Beach Energy Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Anthony Jones
Partner
Adelaide
11 February 2020

Half Year **Financial Report**

OF BEACH ENERGY LIMITED AND CONTROLLED ENTITIES FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		Consolidated	
	Note	**Dec 2019 $million**	Dec 2018 $million
Revenue	3(a)	948.3	1,057.2
Cost of sales	4(a)	(550.0)	(603.1)
Gross profit		398.3	454.1
Other income	3(b)	18.2	17.3
Other expenses	4(b)	(11.1)	(19.7)
Operating profit before net financing costs		405.4	451.7
Interest income	4(c)	1.5	2.4
Finance expenses	4(c)	(8.1)	(54.2)
Profit before income tax expense		398.8	399.9
Income tax expense	5	(120.3)	(117.0)
Net profit after income tax expense		278.5	282.9
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Net change in hedging reserve		–	14.4
Net gain/(loss) on translation of foreign operations		(0.8)	4.3
Tax effect relating to components of other comprehensive income		–	(4.3)
Other comprehensive income/(loss) net of tax		(0.8)	14.4
Total comprehensive income after tax		277.7	297.3
Basic earnings per share (cents per share)	18	12.22	12.42
Diluted earnings per share (cents per share)	18	12.19	12.39

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

		Consolidated	
	Note	Dec 2019 $million	June 2019 $million
Current assets			
Cash and cash equivalents		95.1	171.9
Receivables		281.0	284.9
Inventories		107.9	99.5
Contract assets		15.3	14.1
Assets held for sale		–	6.7
Other		48.3	21.4
Total current assets		547.6	598.5
Non-current assets			
Property, plant and equipment	8	32.8	26.8
Petroleum assets	9	2,831.8	2,726.7
Exploration and evaluation assets	10	480.3	355.3
Goodwill		57.1	57.1
Deferred tax assets		46.4	79.8
Contract assets		55.6	59.6
Lease assets	11	100.5	–
Other		15.1	10.1
Total non-current assets		3,619.6	3,315.4
Total assets		4,167.2	3,913.9
Current liabilities			
Payables		349.5	324.4
Provisions		26.5	25.4
Current tax liabilities		50.0	201.4
Contract liabilities		49.1	60.6
Lease liabilities		43.9	–
Liabilities associated with assets held for sale		–	1.5
Total current liabilities		519.0	613.3
Non-current liabilities			
Payables		6.1	6.3
Provisions		858.7	842.8
Interest bearing liabilities	15	30.3	–
Deferred tax liabilities		36.7	35.1
Contract liabilities		27.7	42.0
Lease liabilities		57.2	–
Total non-current liabilities		1,016.7	926.2
Total liabilities		1,535.7	1,539.5
Net assets		2,631.5	2,374.4
Equity			
Contributed equity	7	1,861.1	1,860.6
Reserves		146.0	167.9
Retained earnings		624.4	345.9
Total equity		2,631.5	2,374.4

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

Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	Contributed equity $million	Retained earnings/ (accum-ulated losses) $million	Share based payment reserve $million	Foreign currency translation reserve $million	Profit distribution reserve $million	Hedging reserve $million	Total $million
For the half year ended 31 December 19								
Balance as at 1 July 2019		1,860.6	345.9	32.8	8.3	126.8	–	2,374.4
Profit for the year		–	278.5	–	–	–	–	278.5
Other comprehensive income		–	–	–	(0.8)	–	–	(0.8)
Total comprehensive income/(loss) for the year		–	278.5	–	(0.8)	–	–	277.7
Transactions with owners in their capacity as owners:								
Shares issued during the year	7	1.0	–	–	–	–	–	1.0
Shares purchased on market (Treasury shares)	7	(0.5)	–	–	–	–	–	(0.5)
Final dividend paid from profit distribution reserve	6	–	–	–	–	(22.8)	–	(22.8)
Increase in share based payments reserve		–	–	1.7	–	–	–	1.7
Transactions with owners		0.5	–	1.7	–	(22.8)	–	(20.6)
Balance as at 31 December 2019		**1,861.1**	**624.4**	**34.5**	**7.5**	**104.0**	**–**	**2,631.5**
For the half year ended 31 December 18								
Balance as at 1 July 2018		1,859.1	(231.4)	30.6	17.4	172.4	(10.1)	1,838.0
Profit for the year		–	282.9	–	–	–	–	282.9
Other comprehensive income		–	–	–	4.3	–	10.1	14.4
Total comprehensive income/(loss) for the year		–	282.9	–	4.3	–	10.1	297.3
Transactions with owners in their capacity as owners:								
Shares issued during the year		0.9	–	–	–	–	–	0.9
Final dividend paid from profit distribution reserve	6	–	–	–	–	(22.7)	–	(22.7)
Increase in share based payments reserve		–	–	0.9	–	–	–	0.9
Transactions with owners		0.9	–	0.9	–	(22.7)	–	(20.9)
Balance as at 31 December 2018		**1,860.0**	**51.5**	**31.5**	**21.7**	**149.7**	**–**	**2,114.4**

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

Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	Dec 2019 $million	Dec 2018 $million
Cash flows from operating activities		
Receipts from customers	1,004.6	1,098.0
Payments to suppliers and employees	(408.7)	(468.0)
Payments for restoration	(4.4)	(2.6)
Interest received	1.7	2.7
Financing costs	(3.9)	(24.0)
Derivative payments	–	(16.2)
Income tax paid	(237.9)	(111.0)
Net cash provided by operating activities	351.4	478.9
Cash flows from investing activities		
Payments for property, plant and equipment	(4.6)	(20.4)
Payments for petroleum assets	(289.0)	(127.6)
Payments for exploration and evaluation assets	(146.3)	(38.3)
Proceeds from government grant	12.1	–
Proceeds from sale of non-current assets	8.8	21.1
Payments received for future restoration liabilities	–	11.3
Net cash used by investing activities	(419.0)	(153.9)
Cash flows from financing activities		
Proceeds from employee incentive loans	1.0	0.9
Payment for shares purchased on market (Treasury shares)	(0.5)	–
Proceeds from borrowings	115.0	–
Repayment of borrowings	(80.0)	(415.0)
Payment of lease liabilities	(26.3)	–
Dividends paid	(22.8)	(22.7)
Net cash used by financing activities	(13.6)	(436.8)
Net decrease in cash held	(81.2)	(111.8)
Cash at the beginning of the half year	171.9	311.2
Effect of exchange rate changes on the balances of cash held in foreign currencies	4.4	4.8
Cash at the end of the half year	95.1	204.2

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

Notes to the Half Year Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 1 Reporting Entity

Beach Energy Limited (**Beach** or the **Company**) is a company domiciled in Australia. The Half Year Financial Report of the Company for the six months ended 31 December 2019 comprises the Company and its controlled entities (together referred to as the **Group**).

The 2019 Annual Report is available upon request from the Company's registered office at Level 8, 80 Flinders Street, Adelaide, 5000 South Australia or at www.beachenergy.com.au.

Note 2 Basis of Preparation of Half Year Financial Report

The Half Year Financial Report for the six months ended 31 December 2019 is a general purpose report prepared in accordance with Accounting Standards AASB *134 Interim Financial Reporting* and the *Corporations Act 2001*. It is intended to provide users with an update on the latest annual financial statements of the Group and as such they do not include full disclosures of the type normally included in the annual report. It is recommended that they be read in conjunction with the 2019 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 2019 has been prepared in accordance with the accounting policies adopted in the 2019 Annual Report and have been consistently applied by the entities in the Group except for those that have arisen as a result of new standards, amendments to standards and interpretations effective from 1 July 2019. The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half-year.

Changes to significant accounting policies are described in note 20.

	Consolidated	
	Dec 2019 $million	Dec 2018 $million
Note 3 Revenue and Other Income		
(a) Revenue		
Crude oil[1]	463.4	363.1
Sales gas and ethane	293.1	393.8
Liquefied petroleum gas	54.7	95.9
Condensate	79.5	112.9
Gas and gas liquids	427.3	602.6
Revenue from contracts with customers	890.7	965.7
Crude oil – revaluation of provisionally priced sales	9.3	(11.0)
Sales Revenue	900.0	954.7
Other operating revenue	48.3	102.5
Total revenue	948.3	1,057.2
(b) Other income		
Gain on sale of joint operations interests	8.6	–
Gain on commodity hedging	–	13.5
Other income related to joint venture lease recoveries	8.4	–
Government grants	0.4	–
Foreign exchange gains	0.8	3.8
Total other income	18.2	17.3

1. Dec 2018 inclusive of realised hedge settlements and premiums paid of $16.2 million.

Notes to the Half Year Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	Dec 2019 $million	Dec 2018 $million
Note 4 Expenses		
(a) Cost of sales		
Operating costs	202.2	176.9
Royalties	82.5	74.7
Total cash production costs	284.7	251.6
Depreciation and amortisation	219.5	283.6
Third party oil and gas purchases	54.1	70.3
Change in inventories	(8.3)	(2.4)
Total cost of sales	550.0	603.1
(b) Other expenses		
Impairment of exploration & evaluation assets	1.4	–
Acquisition and integration costs	–	1.4
Loss on sale of non-current assets	–	0.1
Depreciation	4.5	0.9
Corporate costs	5.2	17.3
Total other expenses	11.1	19.7
(c) Net financing expenses		
Borrowing costs	0.2	26.9
Discount unwinding on net present value assets and liabilities	6.1	27.3
Finance costs associated with lease liabilities	1.8	–
Total finance expenses	8.1	54.2
Interest income	(1.5)	(2.4)
Net financing expenses	6.6	51.8
Note 5 Income Tax		
(a) Reconciliation of income tax expense calculated on operating profit to income tax charged in the statement of profit or loss		
Operating profit	398.8	399.9
Prima facie tax on accounting profit before tax at 30%	119.7	120.0
Adjustment to income tax expense due to:		
Share based payments	0.5	0.3
Non-deductible expenditure	0.4	–
Difference in tax rate	(0.3)	(0.8)
Prior year under/(over) provision	–	(2.5)
Income tax expense	120.3	117.0
(b) Reconciliation of income tax expense/(benefit) calculated on net profit to income tax charged in the statement of profit or loss		
Current tax	86.4	118.3
Deferred tax	33.9	(1.3)
Income tax expense	120.3	117.0

Notes to the Half Year Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	Dec 2019 $million	Dec 2018 $million
Note 6 Dividends		
Final dividend of 1.0 cent per fully paid ordinary paid on 30 September 2019	22.8	–
Final dividend of 1.0 cent per fully paid ordinary paid on 28 September 2018	–	22.7
	22.8	22.7

	Consolidated	
	Dec 2019 $million	Jun 2019 $million
Note 7 Equity Securities Issued		
(a) Movement in share capital		
Balance at beginning of period	1,860.6	1,859.1
Repayment of employee loans and sale of employee shares	1.0	1.5
Shares purchased on market (Treasury shares)	(0.5)	–
Balance at end of period	1,861.1	1,860.6

	Dec 2019 Number	Jun 2019 Number
(b) Movement in Treasury shares		
Balance at beginning of period	–	–
Shares purchased on market	220,933	–
Balance at end of period	220,933	–
(c) Movement in fully paid ordinary shares		
Balance at beginning of period	2,278,249,104	2,276,570,218
Shares issued on vesting of unlisted incentive rights	2,559,073	1,678,886
Balance at end of period	2,280,808,177	2,278,249,104
(d) Movement in unlisted Incentive Rights		
Balance at beginning of period	7,711,875	6,623,901
Issued during the period	2,637,854	2,766,860
Vested during the period	(2,559,073)	(1,678,886)
Balance at end of period	7,790,656	7,711,875

Treasury shares

Treasury shares are purchased for use on vesting for the employee share scheme. Shares are accounted for at the weighted cost for the period. During the period $0.5 million of Treasury shares were purchased on market.

Employee Rights

During the period, Beach issued 711,358 unlisted rights pursuant to the Executive Incentive Plan for the 2018 short term incentive offer. 355,682 of the unlisted performance rights vest on 1 July 2020, 355,676 vest on 1 July 2021 subject to the holder of the rights remaining employed with Beach on the vesting dates. Beach also issued 1,962,496 Long Term Incentive unlisted rights under the Executive Incentive plan. 141,950 Long Term Incentive rights relate to the performance period from 1 December 2018 to 30 November 2021. These rights, which expire on 30 November 2023, are exercisable for nil consideration and are not exercisable before 1 December 2021. 1,784,546 Long Term Incentive rights relate to the performance period from 1 December 2019 to 30 November 2022. These rights, which expire on 30 November 2024, are exercisable for nil consideration and are not exercisable before 1 December 2022. Further details of the Executive Incentive Plan are detailed in the 2019 Annual Report.

Notes to the Half Year Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Consolidated	
	Dec 2019 $million	**Jun 2019 $million**
Note 8 Property, Plant and Equipment		
Balance at beginning of period	26.8	5.5
Additions	8.7	25.5
Depreciation expense	(2.7)	(3.9)
Disposals	–	(0.3)
Balance at end of period	32.8	26.8
Note 9 Petroleum Assets		
Balance at beginning of period	2,726.7	2,710.2
Additions	279.9	350.0
Acquisition of subsidiaries and joint operation interests	–	181.0
Depreciation and amortisation expense	(210.0)	(522.6)
Increase in restoration	18.1	144.1
Transfer from exploration and evaluation assets	–	147.4
Disposals	–	(304.1)
Reclassification to assets held for sale	–	(5.2)
Borrowing costs capitalised	2.8	18.1
Capitalised depreciation of lease assets	13.3	–
Foreign exchange movement	1.0	7.8
Balance at end of period	2,831.8	2,726.7
Note 10 Exploration and Evaluation Assets		
Balance at beginning of period	355.3	478.9
Additions	125.0	102.6
Increase in restoration	0.8	17.0
Acquisition of subsidiaries and joint operation interests	–	1.9
Transfer to petroleum assets	–	(147.4)
Impairment of exploration and evaluation expenditure	(1.4)	–
Disposal of joint operation interests	(2.1)	(99.7)
Reclassification to assets held for sale	–	(1.5)
Borrowing costs capitalised	0.4	3.5
Capitalised depreciation of lease assets	2.3	–
Balance at end of period	480.3	355.3
Note 11 Lease Assets		
Balance at transition	96.8	–
Additions	30.5	–
Depreciation expense	(26.8)	–
Balance at end of period	100.5	–

Notes to the Half Year Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 12 Segment Information

The Group has identified its operating segments to be its South Australian and Western Australian (SAWA), Victorian and New Zealand interests based on the different geographical regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Chief Executive Officer for assessing performance and determining the allocation of resources within the Group.

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

Details of the performance of each of these operating segments for the six month period ended 31 December 2019 and 31 December 2018 are set out below.

	SAWA		Victoria		New Zealand		Total	
	31 Dec 2019 $million	31 Dec 2018 $million	**31 Dec 2019 $million**	31 Dec 2018 $million	**31 Dec 2019 $million**	31 Dec 2018 $million	**31 Dec 2019 $million**	31 Dec 2018 $million
Segment revenue								
Sales revenue	**719.5**	621.8	**116.1**	253.3	**64.4**	79.6	**900.0**	954.7
Segment results								
Gross segment result before depreciation, amortisation and impairment	**454.6**	374.0	**82.1**	204.0	**32.8**	57.2	**569.5**	635.2
Depreciation and amortisation	**(156.0)**	(129.1)	**(47.9)**	(145.3)	**(15.6)**	(9.2)	**(219.5)**	(283.6)
	298.6	244.9	**34.2**	58.7	**17.2**	48.0	**350.0**	351.6
Other revenue							**48.3**	102.5
Other income							**18.2**	17.3
Net financing costs							**(6.6)**	(51.8)
Other expenses							**(11.1)**	(19.7)
Profit before tax							**398.8**	399.9
Income tax expense							**(120.3)**	(117.0)
Net profit after tax							**278.5**	282.9

Details of the assets and liabilities of each of these operating segments for the period ended 31 December 2019 and 30 June 2019 are set out below.

	SAWA		Victoria		New Zealand		Total	
	31 Dec 2019 $million	30 Jun 2019 $million	**31 Dec 2019 $million**	30 Jun 2019 $million	**31 Dec 2019 $million**	30 Jun 2019 $million	**31 Dec 2019 $million**	30 Jun 2019 $million
Segment assets	**2,793.0**	2,448.3	**853.7**	739.2	**296.1**	301.9	**3,942.8**	3,489.4
Total corporate and unallocated assets							**224.4**	424.5
Total consolidated assets							**4,167.2**	3,913.9
Segment liabilities	**779.2**	643.0	**433.3**	412.4	**155.1**	145.4	**1,367.6**	1,200.8
Total corporate and unallocated liabilities							**168.1**	338.7
Total consolidated liabilities							**1,535.7**	1,539.5

Notes to the Half Year Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 13 Critical Accounting Estimates & Judgements

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

In preparing this Half Year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2019.

Note 14 Financial Risk Management

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

Fair Values

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

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

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

		Financial assets/ financial liabilities at amortised cost		Financial assets at FVTPL		Derivative financial instruments		Total	
Carrying amount	Note	Dec 2019 $million	Jun 2019 $million	Dec 2019 $million	Jun 2019 $million	Dec 2019 $million	Jun 2019 $million	Dec 2019 $million	Jun 2019 $million
Financial assets									
Cash		95.1	171.9	–	–	–	–	95.1	171.9
Receivables		281.0	284.9	–	–	–	–	281.0	284.9
		376.1	456.8	–	–	–	–	376.1	456.8
Financial liabilities									
Payables		355.6	330.7	–	–	–	–	355.6	330.7
Interest bearing liabilities		35.0	–	–	–	–	–	35.0	–
		390.6	330.7	–	–	–	–	390.6	330.7

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).

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2019 and there have been no transfers between the levels of the fair value hierarchy during the half year to 31 December 2019.

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.

Notes to the Half Year Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 15 Finances and Borrowings

On 23 November 2017, Beach executed a Syndicated Debt Facility Agreement for a $1,475 million Senior Secured Debt Facility. The facility was comprised of a $475 million three year term debt facility (Facility A), $475 million five year term debt facility (Facility B), $450 million five year revolving debt facility (Facility C), and $75 million three year Letter of Credit facility (Facility D). Beach have subsequently voluntarily prepaid and cancelled the Facility A and Facility B commitments of $950 million, and extended the term of Facility D for a further two years with a new expiry of November 2022.

As at 31 December 2019, $35 million of Facility C was drawn with $415 million remaining undrawn, with $67 million of Facility D being utilised by way of bank guarantees.

	Consolidated	
	Dec 2019 $million	Jun 2019 $million
Bank Debt	35.0	–
Less debt issuance costs	(4.7)	–
Total non-current borrowings	30.3	–

Note 16 Contingent Liabilities

There has been no material change to the contingent liabilities since 30 June 2019.

Note 17 Commitments

There has been no material change to total capital and minimum exploration commitments since 30 June 2019.

Note 18 Earnings Per Share

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

	Dec 2019 $million	Dec 2018 $million
Basic earnings per share	278.5	282.9
Diluted earnings per share	278.5	282.9

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

	Dec 2019 Number	Dec 2018 Number
Basic earnings per share	2,279,020,538	2,277,200,173
Diluted earnings per share	2,284,478,066	2,282,204,689

Note 19 Events Occurring After The Balance Date

There has not been in the period since 31 December 2019 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Notes to the Half Year Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 20 Other Items

New and amended accounting standards and interpretations adopted

Adoption of AASB 16

The Group applies, for the first time, AASB 16 *Leases*. As required by AASB 134, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in FY20, but do not have an impact on the Half Year Financial Report.

AASB 16 supersedes AASB 17 Leases, and AASB Interpretation 4 Determining whether an Arrangement contains a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has adopted the new standard using the modified retrospective approach. Lease liabilities are measured at the present value of future payments on the initial date of application, being 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated. The lease assets are measured as if AASB 16 had been applied from the commencement of the lease using the discount rate at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(a) The details of the change in accounting policy are disclosed below:

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased by the interest cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the group under residual value guarantees;
- The exercise price of a purchase option if the group is reasonably certain to exercise that option;
- Lease payments to be made under reasonably certain extension options; and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

(b) The impact on transition

	1 July 2019 $million
Consolidated statement of financial position	
Lease asset	96.8
Lease liabilities	96.8
Net impact on retained earnings, after tax	-

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 3.41%.

Notes to the Half Year Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Note 20 Other Items continued

(c) Lease liabilities reconciliation on transition

	1 July 2019 $million
Operating lease commitments disclosed at 30 June 2019	64.3
Adjusted for:	
Arrangements reassessed as service arrangements	(19.5)
Leases with commencement date post 1 July 2019	(0.1)
Arrangements reassessed as lease arrangement	41.2
Redetermination of lease term	18.4
Impact of discounting	(7.5)
Lease liabilities recognised on transition	96.8

(d) Amounts recognised in the current period

	Notes	**Dec 2019 $million**
Consolidated statement of profit or loss and other comprehensive income		
Expenses		
Depreciation expense on lease assets	(i)	2.8
Depreciation expense on lease assets, related to joint venture recoveries	(i)	8.4
Operating costs	(ii)	(3.3)
Finance costs associated with lease liabilities		1.8
Foreign exchange loss		0.1
Income		
Other income related to joint venture lease recoveries		8.4
Tax benefit		0.4
Net profit after income tax expense		(1.0)
Consolidated statement of financial position		
Assets		
Exploration and evaluation assets	(ii)	(0.8)
Lease assets		100.5
Deferred tax asset		0.4
Liabilities		
Lease liabilities		101.1
Net impact on net assets		(1.0)

(i) Depreciation expense represents depreciation of $26.8m, offset by capitalised depreciation of $15.6m for leases working on projects capital in nature.

(ii) The decrease to these accounts represents the costs that were previously incurred prior to AASB 16 implementation, that are now capitalised as lease assets which are then depreciated.

Directors' Declaration

The Directors of the Company declare that:

1. The half year financial report and notes set out on pages 13 to 25 are in accordance with the *Corporations Act 2001* including:
   (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
   (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, and the *Corporations Regulations 2001*.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 11th day of February 2020.

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

G S Davis
Chairman

Independent Auditor's Review Report

Building a better working world

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Beach Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Auditor's Review Report

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Independence

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

Ernst & Young

Anthony Jones
Partner
Adelaide
11 February 2020

Glossary

$	Australian dollars
BassGas	The BassGas Project (Beach 53.75% and operator, MEPAU 35%, Prize Petroleum International 11.25%), produces gas from the offshore Yolla gas field in the Bass Basin in production licence T/L1. Beach also holds a 50.25% operated interest in licenses TR/L2, TR/L3, TR/L4 and TR/L5.
bbl	Barrels
Beach	Beach Energy Limited and its subsidiaries
Beharra Springs	Beharra Springs (Beach 50% and operator, Mitsui 50%) produces gas from the onshore Beharra Springs gas field in the Perth Basin in production licences L11 and L22
boe	Barrels of oil equivalent – the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy
C&S	Cased and suspended
Cooper Energy	Cooper Energy Ltd and its subsidiaries
Cooper Basin	Includes both Cooper and Eromanga basins
Cooper Basin JV	The Santos operated, SACB JVs and SWQ JVs and ATP 299 (Tintaburra) (Beach 40%, Santos 60% and operator)
DBNGP	Dampier to Bunbury Natural Gas Pipeline
EP	Exploration Permit
Ex PEL 91	PRLs 151 to 172 and various production licences. Beach 100%.
Ex PEL 92	PRLs 85 to 104 and various production licences. Beach 75% and operator, Cooper Energy 25%.
Ex PEL 104/111	PRLs 136 to 150 and various production licences. Beach 40%, Senex 60% and operator.
Ex PEL 106	PRLs 129 and 130 and various production licences. Beach 100%.
Ex PEL 513	PRLs 191 and 206 and various production licences. Beach 40%, Santos 60% and operator.
Ex PEL 632	PRLs 131 to 134 and various production licences. Beach 40%, Santos 60% and operator.
EBITDA	Earnings before interest tax depreciation and amortisation
FEED	Front End Engineering Design
FID	Final Investment Decision
FY(20)	Financial year (2020)
Genesis	Genesis Energy Limited and its subsidiaries
GSA	Gas sales agreement
GJ	Gigajoule
H(1) (FY20)	(First) half year period (of FY20)
kbbl	Thousand barrels of oil
kboe	Thousand barrels of oil equivalent
kt	Thousand tonnes
Kupe	Kupe Gas Project (Beach 50% and operator, Genesis 46%, NZOG 4%) produces gas from the offshore Kupe gas field in the Taranaki Basin in licence PML38146
Lattice	Lattice Energy Ltd
LPG	Liquefied petroleum gas
MEPAU	Mitsui E&P Australia
Mitsui	Mitsui & Co., Ltd and its subsidiaries
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalent
MMscfd	Million standard cubic feet of gas per day
NPAT	Net profit after tax
NZ	New Zealand
NZOG	New Zealand Oil & Gas and its subsidiaries
O.G. Energy	O.G. Energy Holdings Limited, a member of the Ofer Global group of companies
Origin	Origin Energy Limited and its subsidiaries

Glossary

Other Cooper Basin	Other Cooper Basin producing permit areas are ex PEL 513/632 (Beach 40%, Santos 60% and operator) and PRL 135 (Vanessa) (Beach 43%, Senex 57% and operator)
PACE	The South Australian Plan for Accelerating Exploration gas grant scheme
P&A	Plugged and abandoned
PEL	Petroleum Exploration Licence
PRL	Petroleum Retention Licence
PPL	Petroleum Production Licence
Prize	Prize Petroleum International
PJ	Petajoule
Q(2) (FY20)	(Second) quarter of (FY20)
Qtr	Quarter
SACB JV	South Australian Cooper Basin Joint Ventures, which include the Fixed Factor Area (Beach 33.4%, Santos 66.6%) and the Patchawarra East Block (Beach 27.68%, Santos 72.32%)
Santos	Santos Limited and its subsidiaries
Senex	Senex Energy Limited and its subsidiaries
SWQ JV	South West Queensland Joint Ventures, incorporating various equity interests (Beach 30–52.2%)
TJ	Terajoule
Victorian Otway Basin	Produces gas from licences VIC/L1(v) and VIC/P42(v) which contain the Halladale, Black Watch and Speculant near shore gas fields and licences VIC/L23, T/L2 and T/L3 which contain the Geographe and Thylacine offshore gas fields. Beach also holds non-producing offshore licenses.
Waitsia	Waitsia Gas Project (Beach 50%, MEPAU 50% and operator) produces gas from the onshore Waitsia gas field in the Perth Basin in licence L1/L2
Western Flank Gas	Comprises gas production from ex PEL 91, ex PEL 106 and the Udacha Block – PRL 26. All Beach 100%.
Western Flank Oil	Comprises oil production from ex PEL 91 (Beach 100%), ex PEL 92 (Beach 75% and operator, Cooper Energy 25%) and ex PEL 104/111 (Beach 40%, Senex 60% and operator)