



BEACH
ENERGY

Interim Report

31 December 2010

Including
Appendix 4D Disclosures
Directors' Report
Interim Financial Report



contacts

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Glenn Davis

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APPENDIX 4D

for the half-year ended 31 December 2010 (Rule 4.2A)

ABN	Previous Corresponding Period
20 007 617 969	31 December 2009

Results for announcement to the market

\$A'000

Revenues from ordinary activities	Increased	2%	to	265,497
Net (loss)/profit after tax	Decreased	358%	to	(87,559)
(Loss)/profit from ordinary activities after tax attributable to members	Decreased	357%	to	(87,136)
Net (loss)/profit for the period attributable to members	Decreased	357%	to	(87,136)
Net assets per security	Decreased	6%	to	\$1.20

Dividends	Amount per Security	Franked amount per Security
Fully franked Interim dividend to be paid	0.75 cents	0.75 cents
Record date for determining entitlements to the dividend		11 March 2011

This Interim Report is to be read in conjunction with the 2010 Annual Report, the December 2010 Interim Financial Report and Directors' Report.

Competent Persons Statement

This report contains information on Beach's Reserves and Resources which has been compiled by Mr Gordon Moseby and Mr Neil Gibbins, who are full-time employees of Beach, are qualified in accordance with ASX listing rule 5.11 and have consented to the inclusion of this information in the form and context in which it appears.

Net asset backing

	Current Period	Previous Corresponding Period
Net asset backing per ordinary security	\$1.20	\$1.27

Change in ownership of controlled entities

Control gained over entities having material effect	Impress Energy Ltd Impress (Cooper Basin) Pty Ltd Springfield Oil and Gas Pty Ltd
Loss of control of entities having material effect	Not applicable

Dividends

	Current Period \$Amillion	Previous Corresponding Period \$Amillion
Ordinary Securities	\$10.929	\$31.623

None of these dividends are foreign sourced.

Discount Rate for Dividend Reinvestment Plan (DRP)	5%
Last election date for participation in the DRP	11 March 2011
Record date	11 March 2011
Period over which share price for DRP will be determined	5 trading day period will commence on Thursday 17 March and end after Wednesday 23 March
Date of payment	1 April 2011

Dividend Reinvestment Plan

Beach has established a Dividend Reinvestment Plan, details of which are available on Beach's website at www.beachenergy.com.au. Beach has entered into an underwriting agreement to underwrite certain dividends.

DIRECTORS' REPORT

for the half-year ended 31 December 2010

The Directors of Beach Energy Limited (Beach or the Company) present their interim report for the half year ended 31 December 2010 and the state of affairs of the Company at that date. The Company's Interim Financial Report for the half-year ended 31 December 2010, presented on pages 16-28, 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 financial results:

KEY FINANCIAL RESULTS				
		6 months to Dec 2010	6 months to Dec 2009	Change
Income				
Total revenue	\$'000	265,497	260,434	2%
Cost of sales	\$'000	(228,218)	(214,470)	(6)%
Gross profit	\$'000	37,006	44,877	(18)%
Other income	\$'000	16,088	13,375	20%
Net profit/(loss) after tax (NPAT)	\$'000	(87,559)	33,946	(358)%
Underlying NPAT	\$'000	18,574	25,496	(27)%
Dividends paid	cps	1.00	3.00	(67)%
Dividends announced	cps	0.75	0.75	0%
Basic EPS	cps	(7.99)	3.21	(349)%
Underlying EPS	cps	1.69	2.41	(30)%
Cash flows				
Operating cash flow	\$'000	85,219	21,582	295%
Investing cash flow	\$'000	(76,198)	(30,818)	(147)%
Financial position				
		As at 31 Dec 2010	As at 30 June 2010	Change
Net assets	\$'000	1,318,709	1,371,556	(4)%
Cash balance	\$'000	178,639	169,940	5%

FINANCIAL REVIEW

Revenue and other income

Beach's sales revenue for the half-year ended 31 December 2010 increased by 2% to \$265 million as compared to \$259 million reported in the previous corresponding period due to higher prices partly offset by higher AUD / USD exchange rates. Oil sales revenue was up \$3 million due to higher sales volumes, which include the sale of crude from the Jackson-Moonie pipeline (JMP) partly offset by lower production. The realised oil price achieved was steady at A\$86/bbl. Gas and gas liquids sales revenue were also up on the previous corresponding period by \$3 million due to higher prices partly offset by lower volumes produced and sold.

Other income increased to \$16 million compared to \$13 million in the previous corresponding period. The current period includes a \$14 million gain on the mark to market of Beach's investment in Ramelius Resources Ltd as compared to a \$12 million gain on the sale of Beach's investments in Arrow Energy Ltd and Drillsearch Energy Ltd recorded in the previous corresponding period.

Gross Profit

Gross profit for the half-year ended 31 December 2010 of \$37 million was down 18% from the previous corresponding period profit of \$45 million. This fall in gross profit was driven mainly by lower production.

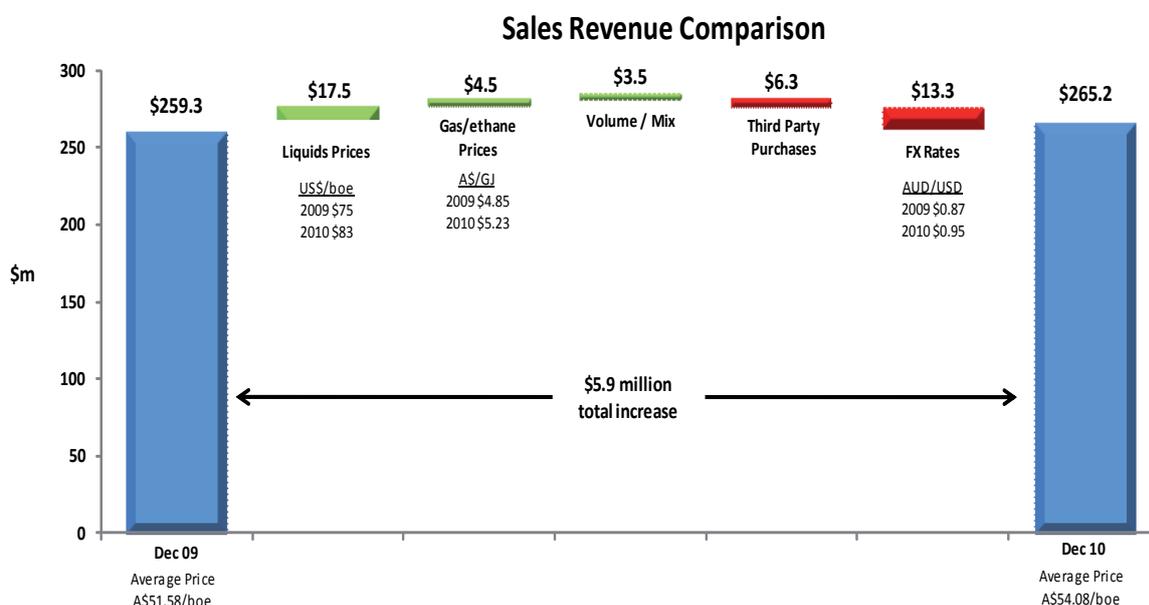
Cash operating and royalty costs were up \$5 million and inventory changes were up \$24 million due to the recognition of the stock associated with the sale of crude from the JMP and the running down of other stocks due to lower production. This was partly offset by a \$12 million reduction in depreciation and amortisation due to lower production and lower third party oil and gas purchases of \$2 million.

Net Loss

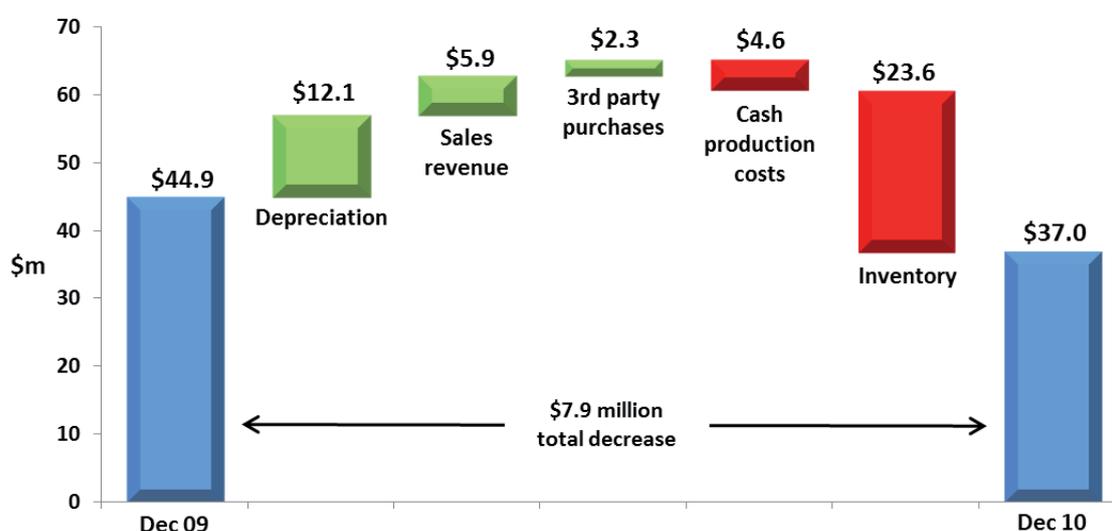
Other expenses were \$131 million higher at \$149 million for the half year period mainly due to the \$118 million impairment loss recognised on the BMG assets and a further \$13 million legal claim settlement in relation to the BMG Joint Venture's dispute with BW Offshore.

Net financing income has increased by \$2 million due to additional interest income earned from higher cash balances (\$179 million cash on hand at 31 December 2010) and higher interest rates.

The reported net loss after income tax for the half-year ended 31 December 2010 was \$88 million as compared to a \$34 million profit for the previous corresponding period mainly due to the non-cash writedown of the BMG assets.



Gross profit comparison



Underlying Profit

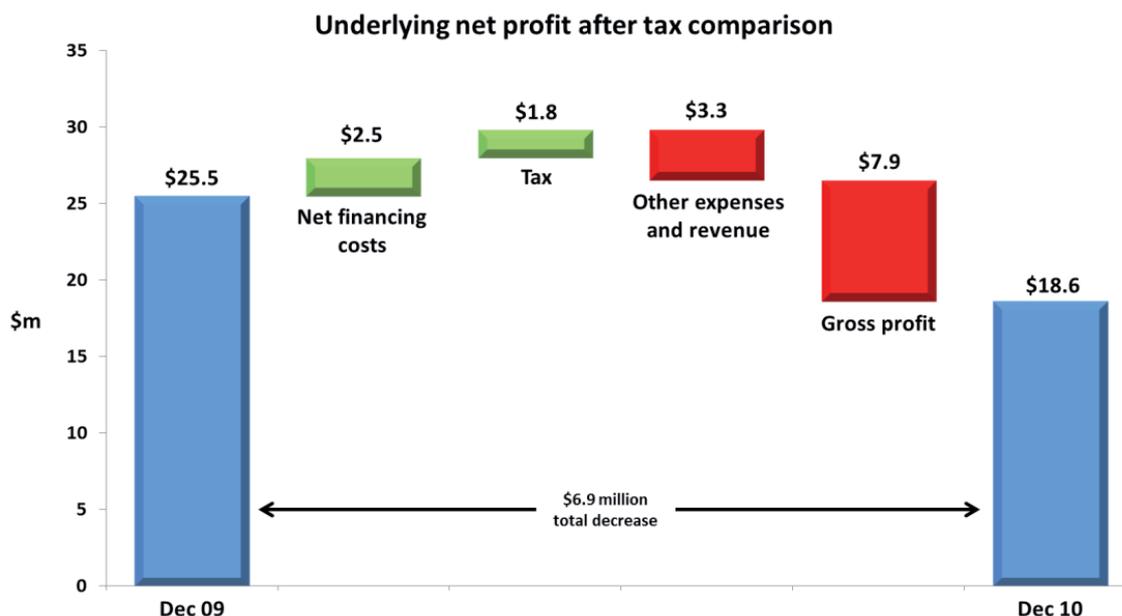
By adjusting the half-year loss to exclude impairment, legal settlements, unrealised hedging, asset sales, investment revaluations and the expensing of PRRT, as per the following table, the underlying profit for the consolidated entity for the half-year reporting period is \$19 million, 27% lower than the previous corresponding period (PCP), driven predominantly by lower production offset in the main by a drawdown in inventories as reflected in the Gross Profit Comparison graph, as shown on page 7 of the Interim Report.

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

Dividends

During the half-year ended 31 December 2010, the Directors declared and paid a 1 cent per share partially franked final dividend based on the 2009/10 full year results. The Directors are also pleased to announce a further fully franked interim dividend payment of 0.75 cents per fully paid ordinary share.

Comparison of underlying profit		Dec-10	Dec-09	Movement from PCP
Net (loss) / profit after tax	\$'000	(87,559)	33,946	(121,505)
Remove unrealised hedging (gains) / losses	\$'000	(4,572)	660	(5,232)
Remove revaluation of assets	\$'000	(13,568)	(1,085)	(12,483)
Remove asset sales	\$'000	-	(11,646)	11,646
Remove impairment of assets	\$'000	118,456	-	118,456
Remove legal settlement	\$'000	12,796	-	12,796
Remove gain on acquisition of subsidiary	\$'000	(1,143)	-	(1,143)
Remove takeover costs	\$'000	1,208	-	1,208
Tax impact of above changes	\$'000	(33,953)	3,621	(37,574)
Remove impact of PRRT adjustment	\$'000	26,909	-	26,909
Underlying net profit after tax	\$'000	18,574	25,496	(6,922)



Financial Position

Total assets decreased by \$62 million to \$1,615 million during the six months to 31 December 2010.

Cash balances increased \$9 million primarily due to operating cash flows of \$85 million and the receipt of \$43 million in contingent proceeds from Arrow Energy relating to the sale of Tipton West assets which were both used to fund capital and exploration expenditure (\$68 million), the cash takeover of Impress Energy Ltd (\$45 million) and other acquisitions (\$5 million). A 1 cent per share final dividend, totalling \$7 million paid in this reporting period was partly offset by cash received from capital raisings by Somerton Energy Ltd (\$5 million). Receivables fell by \$35 million following the receipt of the \$43 million in contingent payments from Arrow Energy which was recognised as a receivable at 30 June 2010. Inventories fell by \$25 million due to the sale of crude from the JMP and the running down of other stocks. Financial assets increased by \$13 million following the mark to market of the investment in Ramelius Resources Ltd.

Non-current assets decreased \$21 million reflecting the impairment of BMG assets (\$118 million) and non-cash depreciation, amortisation and exploration expenditure written off (\$53 million) partly offset by the acquisition of Impress Energy Ltd (\$94 million) and capital expenditure

of \$65 million and \$5 million of other acquisitions. Other movements included a revaluation of available for sale financial assets (\$13 million) and a fall in deferred tax assets (excluding acquisitions) of \$28 million following the derecognition of the petroleum resource rent tax deferred tax asset relating to BMG (\$27 million).

Total liabilities decreased by \$10 million to \$296 million during the period. Derivative financial instrument liabilities reduced \$4 million from mark to market adjustments and hedging payments made. Trade and other payables decreased \$2 million while provisions were up \$6 million on the unwinding of the discount on the restoration provision as well as the additional restoration liability booked for the acquisition of Impress Energy Ltd. Tax liabilities decreased by \$9 million mainly due to the tax effect of the impairment of BMG assets (\$36 million) partly offset by deferred tax liabilities recognised on the acquisition of Impress Energy Ltd (\$23 million).

Total equity has decreased by \$53 million primarily due to the net loss after tax of \$87 million recorded for the six months to 31 December 2010 and the final dividend (\$11 million) partly offset by the non-controlling interests recognised on the acquisition of Impress Energy Ltd (\$27 million), shares issued under the dividend reinvestment plan (\$4 million), after tax revaluations of available for sale financial assets (\$9 million) and shares issued to the non-controlling interests of Somerton Energy Ltd (\$5 million).

OPERATIONS REVIEW

Production

The Company's oil and gas production is derived from the Cooper/Eromanga Basins (north-eastern South Australia and south-western Queensland), Williston Basin in the US (North Dakota) and the Gippsland Basin (offshore Victoria).

Production for the half-year totalled 3,485 thousand barrels of oil equivalent (kboe) compared with 3,983 kboe for the previous corresponding period. Oil production was down by 19% due to the BMG project going into a non-productive phase and significant flood and weather impacts in the Cooper Basin operations.

Gas and gas liquids production was down 9% due to the flood water and weather effects within the Cooper Basin gas business.

Production comprised approximately 33% oil and 67% gas/gas liquids. The Cooper/Eromanga contributed 94% of Beach's oil production with the remainder (6%) from the Gippsland and Williston Basins.

Half-Yearly Production	Area	July - Dec 2009	July - Dec 2010	% Change
Oil (kbbl)	Cooper/Eromanga Basins	1,325	1,079	-18.5
	Gippsland Basin	99	64	-35.4
	Williston Basin	0	8.8	
	Total Oil	1,424	1,152	-19.1
Sales Gas & Ethane (PJ)	Cooper Basin	12.8	11.6	-9.4
LPG (ktonne)	Cooper Basin	23.2	22.0	-5.2
Condensate (kbbl)	Cooper Basin	179	158	-11.7
	Total Gas & Gas Liquids (kboe)	2,558	2,333	-8.8
TOTAL OIL & GAS (kboe)		3,983	3,485	-12.5

Note: Production volumes for the half-year are based upon final reconciled data (Cooper Basin still preliminary) and differ slightly from the data contained in quarterly reports. Totals may not add up due to rounding differences.

Exploration and Development

Australia

Cooper/Eromanga Basins

During the period the Company participated in the drilling of 13 wells in the Cooper/Eromanga Basins.

Category	Number of Wells	Number of Successes	Success Rate
Oil - Exploration	2	2	100%
Oil - Appraisal & Development	3	3	100%
Gas - Exploration	1	1*	100%
Gas - Appraisal & Development	7	7	100%
Total Cooper/Eromanga	13	13	100%

* Cased and suspended for future fracture stimulation

Beach Operated Areas

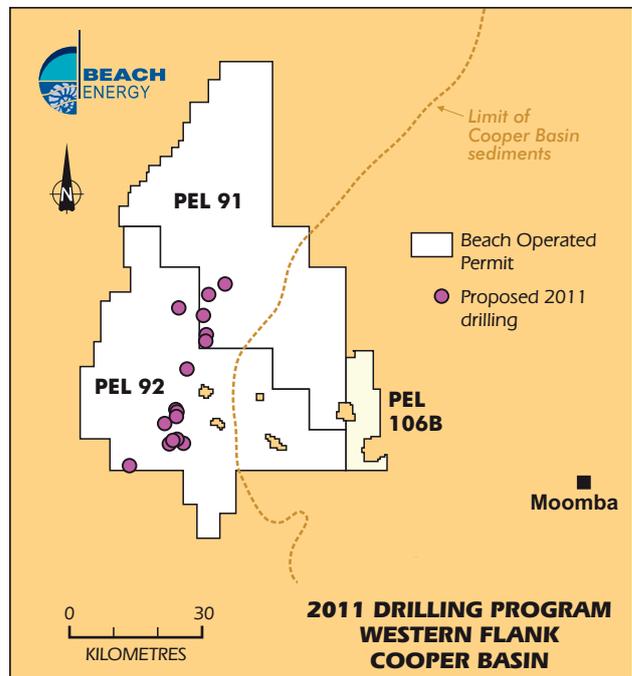
Flooding of the Cooper Creek as well as several local rain events have hampered exploration and development activities throughout the reporting period. However, Beach has put a concerted effort into activities to mitigate the impact and facilitate an extremely active program in 2011. In particular, installation of the Kudnarri Bridge across the Cooper Creek will provide road access to the Western Flank area for the 2011 drilling campaign and other operational activities.

Beach has continued work towards commercialising gas discoveries in PEL 106FI Block (Beach 50%). Production testing of the third of three gas zones in the Canunda-1 well commenced on June 30, 2010 with an initial gas rate of 10.5 MMscf/d. The zone yielded a higher than expected condensate rate of 180 bls/MMscf. Finalisation of this test has been delayed by access issues and operations to retrieve equipment from the well. A workover rig is scheduled to complete retrieval operations and reconfigure production intervals in February 2011 to be immediately followed by the recommencement of testing. In parallel, engineering and procurement work is progressing focussed on delivering PEL106 gas to market.

In PEL 92 (Beach 75%), the Heliacus 2D seismic survey and the Calpurnus 3D seismic survey were both processed and interpreted. Interpretation of the data has been incorporated into development of the 2011 drilling campaign.

Beach has contracted the Ensign#18 and Ensign#30 drilling rigs to commence a 16 well Western Flank drilling program in first quarter 2011, as follows:

- PEL-92 (Beach 75%) - eleven wells comprising exploration, appraisal and development targets.
- PEL-91 (Beach 40%) - five exploration wells.



The ATP855P permit (Beach earning up to 40%) was awarded by the Queensland Government, and under the farm-in terms Beach will assume operatorship. Initial work in the permit will be the planning, acquisition and interpretation of a 2D seismic survey to investigate potential locations for a shale gas exploration well.

Processing of the Acavus 3D seismic survey (ATP633P, Beach 50%) was completed and interpretation has been progressed.

Shale Gas

Encounter-1 (PEL 218 Permian, Beach 90%), the first of Beach's two well Nappamerri Trough shale gas evaluation program, reached total depth of 3,612 metres on 5 December. The well has now been cased and suspended for future fracture stimulation.

Data from wireline logging indicated a thicker than anticipated Roseneath-Epsilon-Murteree target intersection of 393 metres. Good gas shows were encountered throughout this section with no evidence of water through and into the underlying Patchawarra Formation.

A total of five cores were taken and analysis of these cores for gas content and mechanical properties has commenced. The results of these analyses will be used to estimate gas in place volumes and to optimise the design of the fracture stimulation program.

The Ensign#16 rig has now been moved to Holdfast-1, which has commenced drilling operations and is expected to reach total depth in late March 2011.

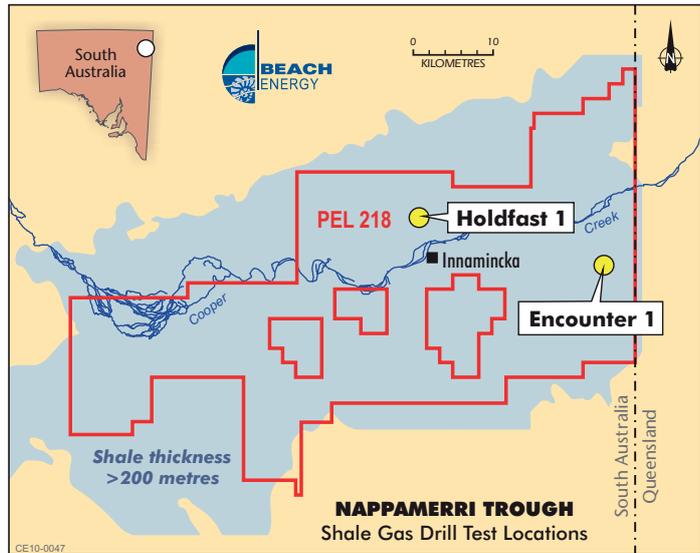
Santos Operated Areas

During the period Beach participated in 11 wells operated by Santos Ltd, of which 4 were addressing oil targets and 7 gas targets. All of these wells were cased and suspended for future production.

Santos Operated Wells 1H FY11	Number of Wells	Number of Successes	Success Rate
Oil Exploration	2	2	100%
Oil Development	2	2	100%
Gas Development	7	7	100%
Total	11	11	100*

As part of this program, two successful oil exploration wells were drilled at Watson West-1 (Beach 38%) and Irtalie East-1 (Beach 38.5%). Oil development drilling was at the Cook Field where Cook-15 and Cook-19 were both cased and suspended. The gas program focussed on the Coonatie (Beach 17.14%) and Tirrawarra (Beach 20.21%) Fields with three and four development wells respectively and a seventh at Strzelecki North-East-1(Beach 20.21%).

The SACB JV (Beach 20.21%) is continuing work on projects to accelerate the conversion of 2C contingent gas resources to 2P reserves. The Greater Tindilpie Phase 1 drilling and fracture stimulation program of 10 new wells was completed successfully and the wells continue to produce. Another campaign of seven wells in Greater Tindilpie is



approved with drilling expected early 2011. The Moomba North Infill Pilot Project (four new wells plus fracs) has been delayed due to weather and now expected to commence early 2011. A program of three wells and one inwellbore frac at Moomba South is due to commence in the second quarter of 2011.

Stuart Operated Areas

Acrasia-5 (Beach 25%) was completed as a future oil producer from multiple zones.

Gippsland Basin – BMG Project (Beach 30%)

On 19 August 2010, the Crystal Ocean FPSO was removed from the field to undergo maintenance and repairs. Production from 1 July to 19 August was 215,000 barrels (64,000 barrels net to Beach) therefore averaging 4300 bopd. The Joint Venture reviewed the status of the oil project and agreed to commence preparations for entry into a non-productive phase, effectively suspending hydrocarbon production from the BMG project. Options for a potential second phase of gas and liquids recovery are being evaluated.

Subsequent to the reporting period the final cargo of oil (9930 bbls) was delivered to Kurnell in the first week of February 2011. The Basker Spirit is now en route to Singapore for works required prior to hand back. The Crystal Ocean is currently on site at the field preparing sea floor infrastructure for the non-productive phase.

BW Offshore litigation was settled for a cash payment total of US\$32.5 million by the named BMG participants.

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Other Exploration

Bass Basin – offshore Tasmania

After full evaluation of the disappointing drilling results at Peejay-1 (T/39P, Beach 50%) and Spikey Beach-1 (T/38P part, Beach 80%), drilled in 2008/2009, Beach has elected to withdraw from both permits.

Onshore Otway Basin

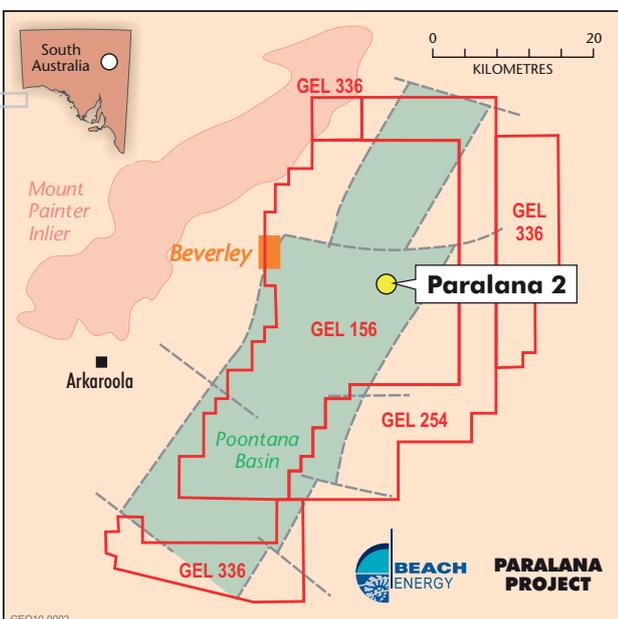
Beach has assumed operatorship of PEP 168 (Beach 50%) effective July 19, 2010 following the resignation of operatorship by Somerton Energy. Beach has also entered into an agreement to purchase a 66.6% interest in PEL 186 from Somerton Energy. In December Beach agreed with Cooper Energy to farm-in to PEL 495 for a 35% interest and expect to drill the farm-in well towards the end of 2011.

Onshore Gippsland Basin

The Wombat-2 well in PRL2 (Beach earning up to 33.3%) was flow tested in December 2010 and produced gas at an average rate of approximately 0.8 mmscfd. Since the end of the reporting period gauges have been successfully recovered from Wombat-2 in PRL-2 (Beach earning up to 33.33%) which had been shut in for pressure build up in late December following the twelve day flow test. The pressure data is currently being interpreted.

Geothermal – Paralana Project (Beach 21%)

Negotiations between Beach and Petrathern with respect to revised funding and farm-in conditions were concluded. Under the revised terms Beach has been assigned a 21% interest in the project.



On 16 July the REDP funding deed for approximately \$63 million, between MNGI as agent for Beach and TRUenergy and the Commonwealth Government was executed.

At the Paralana-2 well, injectivity testing was successfully undertaken resulting in fracturing of the formation. Data collected from the injectivity tests will be analysed and used to design the main fracture stimulation program which is planned for the first quarter 2011.

International

Egypt

North Shadwan Concession (Beach 20%)

Development of the offshore NS377 Oilfield commenced with drilling of 2 successful development wells during the 2009/10 financial year. Preparations have continued through the reporting period for commencement of production from the field, however the Operator (BP Egypt) has advised the Joint Venture that likely timing of first production from the NS-377 oilfield has been revised to the second quarter 2011. Continued delays in equipment delivery and installation, as well as third-party agreements are responsible for the revision. An initial total production rate of approximately 3,000 barrels of oil per day is anticipated from the field.

South East July Concession (Beach 20%)

Opportunities for further drilling are being assessed.

Abu Sennan Concession (Beach 22%)

A Sales and Purchase Agreement was executed with Kuwait Energy Company (KEC) for acquisition of 22% interest in the Abu Sennan Concession located in the Western Desert region of Egypt. All required pre-emption waivers have been received and assignment documentation is with the regulatory authorities and the Minister for signing.

Numerous prospects with multiple target horizons have been identified on 3D seismic which covers the concession. The first well of a four well program, an appraisal well on the GPZZ Oilfield, has spudded and will be deepened to target oil exploration potential in the Jurassic.



Mesaha Concession (Beach 15%)

A Sales and Purchase Agreement was executed with Kuwait Energy Company (KEC) for acquisition of 15% interest in the Mesaha Concession located in southern Egypt. All required pre-emption waivers have been received and assignment documentation is with the regulatory authorities and the Minister for signing.

The Mesaha Concession covers 57,000 km² and has the potential to host large oil fields in excess of 100 million barrels. Analysis of recently acquired 2D seismic is encouraging and as a result, infill 2D seismic will be acquired in the first half of 2011. Drilling of potential targets is expected to commence in 2012.

Albania

Durresi Block (Beach earning 25%)

There was no activity in the Durresi Block (Beach earning 25%) during the reporting period. Subsequent to the period, on 31 January 2011, the Albanian Council of Ministers approved the Durresi Block License Petroleum Complimentary Agreement (Beach 25%, Island International Exploration B.V., a San Leon Energy subsidiary, 75% and operator).

The Durresi Block covers an area of 4,200 square kilometres along the Adriatic coast of Albania and contains a yet to be appraised deep water gas/condensate discovery as well as several undrilled oil and gas prospects. The initial focus will

be on appraising the A4-1X field, a 1993 gas/condensate discovery, which has the potential to contain up to 38 million barrels of condensate and 150 billion cubic feet of gas.

A 3D seismic survey of over 300 square kilometres is planned for acquisition over the A4-1X field and surrounding exploration targets during 2011. This underexplored, highly prospective area is situated on the proven Apulian Carbonate Margin, which extends across the Adriatic Sea from Italy into Albania.

The 3D seismic survey is expected to be followed by appraisal drilling on the A4-1X field in 2012.

Tanzania

East African Rift - Lake Tanganyika South (Beach 100%)

Gravity, magnetic and bathymetry surveys have been completed and cover the whole of the concession.

Post-acquisition reviews indicate the quality of data to be high, with the final processed magnetic data expected in January 2011 and the final processed gravity data expected in February 2011. Analysis of this data will assist with assessment of the concession prospectivity and planning of a 2D seismic survey expected to be acquired in mid 2011.

USA, North Dakota

Williston Basin, South Antelope

Following successful fracture stimulation the Henderson 4-25H well (Beach ~23.2% working interest, 18.5% net revenue interest) has been put on production and at the end of the reporting period was producing oil at around 200 bopd. The Henderson Federal 4-26/35H well (Beach ~18.4% working interest, 14.7% net revenue interest) was suspended pending fracture stimulation operations which commenced late December and were on-going at the end of the reporting period. Subsequent to the reporting period, the well was producing strongly at around 850 bopd.

New Zealand

Canterbury Basin, PEP 38259 (Beach 20%)

The operator AWE has lodged an application for an extension to the permit conditions.

Taranaki Basin, PEP 38482 (Beach 20%)

This permit was surrendered during the reporting period.

DIRECTORS

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

Robert Michael Kennedy

ASAIT, Grad.Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD.

Non Executive Chairman

Glenn Stuart Davis

LLB, BEc

Non-Executive Deputy Chairman

Reginald George Nelson

B Sc. (Mathematics), FAusIMM., FAICD, Hon Life Member Society of Exploration Geophysicists

Executive Director
Managing Director

Hector Mackenzie Gordon

BSc (Hons), FAICD

Executive Director - resigned with effect 31 October 2010
Chief Executive Officer - resigned with effect 31 October 2010

Neville Foster Alley

PhD, PSM

Non-Executive Director

John Charles Butler

FCPA, FAICD, FIFS

Non-Executive Director

Franco Giacomo Moretti

BE (Hons), FIEAust CPEng, MAICD

Non-Executive Director

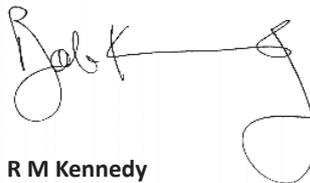
ROUNDING OFF OF AMOUNTS

Amounts in the financial 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, Grant Thornton – South Australian Partnership, 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 28th day of February 2011 and signed in accordance with a resolution of the Directors.



R M Kennedy

Chairman



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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF BEACH ENERGY LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Beach Energy Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



SJ Gray
Partner

Adelaide, 28 February 2011

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INTERIM FINANCIAL REPORT OF BEACH ENERGY AND CONTROLLED ENTITIES
for the half-year ended 31 December 2010
CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

	Note	CONSOLIDATED	
		Dec 2010 \$000	Dec 2009 \$000
Sales revenue	3(a)	265,224	259,347
Cost of sales	4(a)	(228,218)	(214,470)
Gross profit		37,006	44,877
Other revenue	3(b)	273	1,087
Other income	3(c)	16,088	13,375
Other expenses	4(b)	(149,064)	(18,562)
Operating (loss)/profit before net financing costs		(95,697)	40,777
Interest income	4(c)	5,508	2,473
Borrowing costs expense	4(c)	(3,232)	(2,676)
(Loss)/profit before income tax benefit/(expense)		(93,421)	40,574
Income tax benefit/(expense)	5	32,771	(6,628)
Impairment of Petroleum Resource Rent Tax asset	5	(26,909)	-
Total income tax benefit/(expense)	5	5,862	(6,628)
Net (loss)/profit after tax		(87,559)	33,946
Net (loss)/profit after tax attributable to			
Owners of Beach Energy Limited		(87,136)	33,946
Non-controlling interests		(423)	-
		(87,559)	33,946
Basic (loss) / earnings per share (cents per share)		(7.99¢)	3.21¢
Diluted (loss) / earnings per share (cents per share)		(7.99¢)	3.21¢

This income statement is to be read in conjunction with the notes to the interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2010 \$000	Dec 2009 \$000
Net (loss)/profit after tax for the period	(87,559)	33,946
Other comprehensive income, net of tax:		
Net change in fair value of available for sale financial assets	13,467	(397)
Tax effect	(3,892)	-
Net (loss)/gain on translation of foreign operations	(900)	-
Total other comprehensive income/(loss), net of tax	8,675	(397)
Total comprehensive (loss)/income which is attributable to members of the parent entity	(78,884)	33,549
Total comprehensive (loss)/income attributable to		
Owners of Beach Energy Limited	(78,461)	33,549
Non-controlling interests	(423)	-
	(78,884)	33,549

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2010 \$000	June 2010 \$000
Current assets		
Cash and cash equivalents	178,639	169,940
Trade and other receivables	80,616	116,055
Inventories	65,742	90,927
Financial assets - held for trading	21,507	8,945
Derivative financial instruments	3,454	2,580
Other	3,750	7,127
Total current assets	353,708	395,574
Non-current assets		
Available for sale financial assets	19,938	7,254
Property, plant and equipment	327,189	367,204
Oil and gas development assets	513,465	573,892
Exploration and evaluation expenditure	356,106	269,161
Derivative financial instruments	268	-
Deferred tax assets	43,838	63,893
Other financial assets	44	30
Total non-current assets	1,260,848	1,281,434
Total assets	1,614,556	1,677,008
Current liabilities		
Trade and other payables	92,008	93,874
Derivative financial instruments	2,426	4,395
Short term provisions	3,959	2,392
Tax liabilities	8,697	5,623
Total current liabilities	107,090	106,284
Non-current liabilities		
Trade and other payables	-	698
Deferred tax liabilities	106,710	119,049
Derivative financial instruments	1,036	2,747
Long term provisions	81,011	76,674
Total non-current liabilities	188,757	199,168
Total liabilities	295,847	305,452
Net assets	1,318,709	1,371,556
Equity		
Issued capital	997,250	992,581
Reserves	19,679	11,065
Retained earnings	268,670	366,735
Equity attributable to equity holders of Beach Energy Limited	1,285,599	1,370,381
Non-controlling interests	33,110	1,175
Total equity	1,318,709	1,371,556

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

	\$000	\$000	\$000	\$000	\$000	\$000
For the six months ended 31 December 2009	Issued Capital	Retained earnings	Reserves	Total	Non Controlling Interests	Total Equity
1 July 2009 – Opening balance	950,292	373,023	9,363	1,332,678	-	1,332,678
All scrip takeover for Drillsearch Energy	9,166	-	-	9,166	-	9,166
DRP issue for final and special dividends	10,407	-	-	10,407	-	10,407
DRP underwriting for final and special dividends	13,970	-	-	13,970	-	13,970
Exercise and conversion of 2008 \$2 options	7	-	-	7	-	7
Transaction costs	(51)	-	-	(51)	-	(51)
Tax effect of transaction costs	15	-	-	15	-	15
Shares issued under the terms of the Employee Share Purchase Plan	404	-	-	404	-	404
Total comprehensive income	-	33,946	(397)	33,549	-	33,549
Dividends paid (final and special)	-	(31,623)	-	(31,623)	-	(31,623)
Increase in share based payments reserve - long term incentive options and rights	-	-	868	868	-	868
31 December 2009 – closing balance	984,210	375,346	9,834	1,369,390	-	1,369,390
	\$000	\$000	\$000	\$000	\$000	\$000
For the six months ended 31 December 2010	Issued Capital	Retained Earnings	Reserves	Total	Non Controlling Interests	Total
1 July 2010 – Opening balance	992,581	366,735	11,065	1,370,381	1,175	1,371,556
DRP issue for final dividend	3,886	-	-	3,886	-	3,886
Transaction costs	(28)	-	-	(28)	-	(28)
Tax effect of transaction costs	8	-	-	8	-	8
Shares issued under the terms of the Employee Share Purchase Plan	803	-	-	803	-	803
Total comprehensive income	-	(87,136)	8,675	(78,461)	(423)	(78,884)
Issue of shares to non-controlling interests of Somerton Energy Ltd	-	-	(473)	(473)	5,121	4,648
Issue of incentive rights by Somerton Energy Ltd	-	-	51	51	39	90
Dividends paid (final)	-	(10,929)	-	(10,929)	-	(10,929)
Increase in share based payments reserve - long term incentive options and rights	-	-	1,023	1,023	-	1,023
Decrease in share based payments reserve – forfeiture of long term incentive options and rights	-	-	(662)	(662)	-	(662)
Acquisition of Impress Energy Ltd Group	-	-	-	-	27,198	27,198
31 December 2010 – closing balance	997,250	268,670	19,679	1,285,599	33,110	1,318,709

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2010 \$000	Dec 2009 \$000
Cash flows from operating activities		
Receipts from oil and gas operations	249,836	241,706
Payments to suppliers and employees	(153,461)	(171,680)
Settlement of legal claim	(12,796)	-
Interest received	5,198	2,403
Dividends received	402	-
Interest and borrowing costs paid	(368)	(87)
Net derivative payments made	(1,165)	(2,625)
Income tax paid	(2,700)	(49,222)
Other receipts	273	1,087
Net cash provided by operating activities	85,219	21,582
Cash flows from investing activities		
Proceeds from sale of non-current assets	140	42
Proceeds from sale of investments	-	68,676
Capital return on investment	1,005	-
Sale of Tipton West assets – contingent payments received	43,200	-
Payment for plant and equipment (Australia)	(15,676)	(14,644)
Payment for plant and equipment (Overseas)	(551)	(233)
Payment for exploration and development (Australia)	(42,986)	(78,237)
Payment for exploration and development (Overseas)	(9,043)	(3,089)
Acquisition of tenements (Overseas)	(5,343)	-
Acquisition of Impress Energy Ltd shares and convertible notes	(45,135)	-
Purchase of investments	(1,809)	(3,333)
Net cash used by investing activities	(76,198)	(30,818)
Cash flows from financing activities		
Proceeds from the issue of shares	-	13,969
Proceeds from conversion of options into shares	-	7
Proceeds from issue of Somerton Energy Ltd shares to non-controlling interests	5,183	-
Costs associated with issue of shares	(563)	(51)
Proceeds from employee incentive loans	538	294
Dividends paid	(7,043)	(21,216)
Net cash used by financing activities	(1,885)	(6,997)
Net increase / (decrease) in cash held	7,136	(16,233)
Cash at the beginning of the half year	169,940	136,209
Acquisition of Impress Energy Ltd	7,004	-
Effect of exchange rate changes on the balances of cash held in foreign currencies	(5,441)	(2,198)
Cash at the end of the half year	178,639	117,778

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

NOTE 1 REPORTING ENTITY

Beach Energy Limited (the Company) is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the consolidated entity).

The consolidated annual financial report of the consolidated entity for the year ended 30 June 2010 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 INTERIM REPORT

The interim consolidated financial statements are a general purpose report prepared in accordance with Accounting Standards AASB 134 Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures the interim financial report is in accordance with IFRS.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the consolidated entity. As such, this interim financial report does not include full disclosures of the type normally included in the annual report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Beach during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those in the consolidated financial report for the year ended 30 June 2010.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

	CONSOLIDATED	
	Dec 2010 \$000	Dec 2009 \$000
NOTE 3 REVENUE AND OTHER INCOME		
(a) Sales revenue		
- crude oil	146,303	143,480
- gas and gas liquids	118,921	115,867
Total sales revenue	265,224	259,347
(b) Other revenue		
- other	273	1,087
Total revenue	265,497	260,434
(c) Other income		
- gain on revaluation of investment prior to acquisition of a controlling interest	1,143	-
- gain on sale of investments	-	11,646
- mark to market of investments held for trading	13,568	1,085
- dividends received	402	-
- gain on sale of non-current assets	133	-
- gain on interest rate swap	842	644
Total other income	16,088	13,375
NOTE 4 EXPENSES		
(a) Cost of sales		
- operating costs	85,021	84,021
- royalties	30,959	27,349
Total operating costs	115,980	111,370
- depreciation and amortisation	52,688	64,794
- third party oil and gas purchases	34,921	37,201
- change in inventories	24,629	1,105
Total cost of sales	228,218	214,470
(b) Other expenses		
- employee benefits expense	6,830	5,474
- exploration expenditure written off	191	1,748
- foreign exchange losses	2,424	1,993
- impairment of BMG assets	118,456	-
- loss on crude oil hedging	2,227	5,290
- loss on sale of employee shares	264	121
- loss on sale of property, plant & equipment	-	7
- settlement of legal claim	12,796	-
- takeover costs	1,208	-
- other expenses	4,668	3,929
Total other expenses	149,064	18,562
(c) Net financing (income)/costs		
- borrowing costs	366	84
- interest expense	2,866	2,592
Total borrowing costs	3,232	2,676
- interest income	(5,508)	(2,473)
Net financing (income)/costs	(2,276)	203

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
		Dec 2010	Dec 2009
		\$000	\$000
NOTE 5	INCOME TAX		
(a)	Reconciliation of the prima facie income tax benefit/(expense) calculated on (loss)/profit before income tax benefit/(expense) to income tax benefit/(expense) in the income statement		
	(Loss)/profit before income tax benefit/(expense)	(93,421)	40,574
	Income tax benefit/(expense) calculated at 30 cents in the dollar	28,026	(12,172)
	Movement in income tax benefit/(expense) due to:		
	- legal expenses not deductible	(47)	(16)
	- share based payments	(108)	(260)
	- prior year over	3,742	4,562
	- movement of available losses on investments	1,247	1,179
	- research and development tax concession	201	131
	- international tax losses not recognised	(135)	(42)
	- losses of controlled entities not recognised	(127)	-
	- other	(28)	(10)
	Income tax benefit/(expense)	32,771	(6,628)
	Derecognition of deferred petroleum resource rent tax	(26,909)	-
	Total income tax benefit/(expense)	5,862	(6,628)
(b)	Income tax benefit/(expense) comprises:		
	Current tax	(5,775)	(2,531)
	Deferred tax – petroleum resource rent tax	(26,909)	-
	Deferred tax	38,546	(4,097)
	Income tax benefit/(expense)	5,862	(6,628)
NOTE 6	DIVIDENDS		
	Final dividend paid at 1.0 cent per fully paid ordinary share based on year ended 30 June 2010 results.	10,929	-
	Final dividend paid at 1.0 cent per fully paid ordinary share based on year ended 30 June 2009 results.	-	10,666
	Special dividend paid at 2.0 cents per fully paid ordinary share based on year ended 30 June 2009 results.	-	20,957
		10,929	31,623

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

		CONSOLIDATED	
		Dec 2010 \$000	Dec 2009 \$000
NOTE 7	EQUITY SECURITIES ISSUED		
(a)	Share capital	997,250	984,210
		Number	Number
(b)	Movement in fully paid ordinary shares		
	Balance at beginning of period	1,092,366,847	1,036,507,839
	Issues of shares under takeover offer for Drillsearch Energy Ltd	-	11,316,080
	Issues of shares under terms of employee share plan	655,275	-
	Exercise of \$2.00 2008 bonus options	-	3,544
	Shares issued under the terms of the dividend reinvestment plan	5,999,168	14,054,619
	Shares issued from underwriting of the dividend reinvestment plan	-	18,771,707
	Balance at end of period	1,099,021,290	1,080,653,789
(c)	Movement in \$2.00 2008 Bonus Options – expire 30 June 2010		
	Balance at beginning of period	-	102,555,626
	Exercise of options	-	(3,544)
	Balance at end of period	-	102,552,082
(d)	Movement in unlisted Long Term Incentive Options		
	Balance at beginning of period	12,531,510	12,531,510
	Cancelled during the period	(2,348,272)	-
	Balance at end of period	10,183,238	12,531,510
(e)	Movement in unlisted Long Term Incentive Rights		
	Balance at beginning of period	5,343,187	5,343,187
	Issued during the period	5,453,895	-
	Cancelled during the period	(780,000)	-
	Balance at end of period	10,017,082	5,343,187

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

NOTE 8 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 Australia and International based on the different geographical regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Managing Director for assessing performance and determining the allocation of resources within the consolidated entity.

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

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

Details of the performance of each of these operating segments for the six month period ended 31 December 2010 and 31 December 2009 are set out below:

	Cooper		Other Australia		International		Total	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Segment revenue								
Oil and gas sales to external customers	256,507	253,479	8,015	5,868	702	-	265,224	259,347
Segment results								
Gross segment result before depreciation, amortisation and impairment	98,845	119,485	(9,494)	(9,814)	343	-	89,694	109,671
Depreciation & amortisation	(48,560)	(61,241)	(3,911)	(3,553)	(217)	-	(52,688)	(64,794)
	50,285	58,244	(13,405)	(13,367)	126	-	37,006	44,877
Other income							16,088	13,375
Other revenue							273	1,087
Net financing income/(costs)							2,276	(203)
Other expenses ⁽¹⁾							(149,064)	(18,562)
Profit before tax							(93,421)	40,574
Income tax benefit/(expense)							32,771	(6,628)
Petroleum resource rent tax ⁽²⁾							(26,909)	-
Net profit after tax							(87,559)	33,946

⁽¹⁾ Includes impairment of \$118.5 million relating to the other Australia segment

⁽²⁾ Relates to Other Australia segment

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

Details of the assets of each of these operating segments for the period ended 31 December 2010 and 30 June 2010 are set out below:

	31 Dec 2010 \$000	30 June 2010 \$000						
Segment assets	956,454	886,898	70,505	194,195	232,802	222,292	1,259,761	1,303,385
Total corporate and unallocated assets							354,795	373,623
Total consolidated assets							1,614,556	1,677,008

NOTE 9 BORROWINGS

At 31 December 2010, the consolidated entity had no borrowings.

NOTE 10 ESTIMATES

The preparation of the interim 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 consolidated interim 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 consolidated financial report as at and for the year ended 30 June 2010.

NOTE 11 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 Directors.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

NOTE 12 BUSINESS COMBINATION

Beach Energy Ltd announced on 6 December 2010 a recommended and unconditional on-market cash offer of 8.5 cents per share for all of the issued and outstanding shares of Impress Energy Ltd it did not own. Beach gained majority control of Impress on 14 December 2010 and increased its relevant interest in Impress to 64% as at 31 December 2010. Beach also purchased all outstanding convertible notes of Impress Energy for \$478,125.

A gain of \$1.143 million on the revaluation of Beach's initial 4.9% interest in Impress Energy to fair value was recognised in the income statement along with the expensing of takeover costs for the period up to 31 December 2010 of \$1.208 million.

The acquisition had the following effect on the consolidated entity:

	Beach Share \$000	Non-controlling interest \$000	Total \$000
Purchase consideration	48,449		
Fair value of net assets acquired	48,449	27,199	75,648
Goodwill on acquisition	-		

Acquisition of the Impress Energy Ltd group of companies

	Assets and liabilities acquired \$000	Fair Value of assets and liabilities acquired \$000
Assets and liabilities held at acquisition date:		
- Current assets	7,162	7,162
- Non current assets	17,368	94,171
- Current liabilities	(211)	(211)
- Non current liabilities	(1,710)	(25,474)
Net assets	22,609	75,648

In the half year to 31 December 2010, the Impress Energy group of companies contributed nil to group revenues and consolidated loss before tax.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

Beach Energy Limited and Controlled Entities

NOTE 13 CONTINGENCIES

There has been no material change to the aggregate of contingent assets or contingent liabilities since 30 June 2010 other than detailed below:

Dispute with BW Offshore

The dispute with BW Offshore ("BW") was resolved in September 2010, with the BMG Joint Venture agreeing to settlement terms covering all claims and counter-claims with BW in relation to the termination of a Letter of Intent for supply of an FPSO for the BMG Project. The terms of the settlement are confidential but include a cash payment of \$US32.5 million to BW. The amount paid by Beach was \$12.796 million.

Material and potential contingent liability disclosure as at 31 December 2010 include:

Bank guarantees

As at 31 December 2010, the Commonwealth Bank of Australia has provided Beach with a \$25 million Multi-Option Facility of which \$5,970,022 has been utilised by way of bank guarantees. The facility amount was subsequently increased to \$35 million, effective 14th January 2011.

Other than noted above, there have been no other movements in contingencies since 31 December 2010.

NOTE 14 COMMITMENTS

There has been no material change to the commitments disclosed in the 30 June 2010 annual report.

NOTE 15 EVENTS OCCURRING AFTER BALANCE DATE

Controlling Interest in Impress Energy Limited (Impress)

The on-market cash offer to Impress shareholders closed on 21 February 2011 with Beach obtaining a relevant interest in Impress of 96%. Beach is now proceeding to compulsory acquire all remaining share of Impress. A new Board has now been appointed and transition arrangements to relocate the company's activities from Perth to Adelaide are well advanced.

Investment in Sundance Energy Ltd

In January 2011, Beach divested a part of its shareholding in Sundance Energy Ltd. The share sale generated \$8.7 million in cash and an accounting profit of \$7.1 million. Beach continues to hold approximately 4% of Sundance and remains in a valued relationship with the company, particularly in unconventional oil and gas projects.

There has not arisen in the interval since 31 December 2010 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 interim financial report.

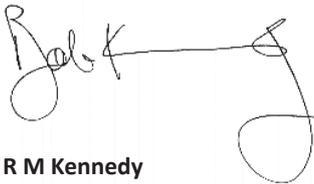
DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 16 to 28, 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 2010 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 28th day of February 2011.

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



R M Kennedy

Chairman



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BEACH ENERGY LIMITED

We have reviewed the accompanying half-year financial report of Beach Energy Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both 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 half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year 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 financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its 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 Beach Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton South Australian Partnership ABN 27 244 906 724
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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.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year 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 consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



S J Gray
Partner

Adelaide, 28 February 2011

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