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Annual Report 2020



Sustainably delivering
energy for communities



Sustainably delivering energy for communities

During FY20 Beach undertook to update its purpose as a company to better describe what we work to achieve on a day-to-day basis.

Our Purpose

Sustainably deliver energy for communities.

Our Vision

We aim to be Australia's premier multi-basin upstream oil and gas company.

Our Values

Safety

Safety takes precedence in everything we do

Creativity

We continuously explore innovative ways to create value

Respect

We respect each other, our communities and the environment

Integrity

We are honest with ourselves and others

Performance

We strive for excellence and deliver on our promises

Teamwork

We help and challenge each other to achieve our goals

About this report

This 2020 Annual Report is a summary of Beach Energy's operations and activities for the 12-month period ended 30 June 2020 and financial position as at 30 June 2020. In this report, unless otherwise stated, references to 'Beach' and the 'Group', the 'company', 'we', 'us' and 'our' refer to Beach Energy Limited and its subsidiaries. See Glossary for further defined terms used in this report.

This report contains forward-looking statements. Please refer to page 47, which contains a notice in respect of these statements.

All references to dollars, cents or \$ in this document are to Australian currency, unless otherwise stated. Due to rounding, figures and ratios in tables and charts throughout this report may not reconcile to totals.

An electronic version of this report is available on Beach's website, www.beachenergy.com.au

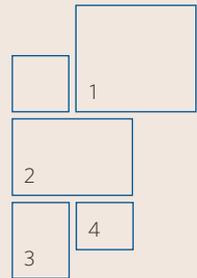
The 2020 Corporate Governance Statement can be viewed on our website on the Corporate Governance page.

Annual General Meeting

For information about the Annual General Meeting, please visit: beachenergy.com.au/agm



This year a selection of photos in the 2020 Annual Report have been taken by talented amateur photographers on our team.

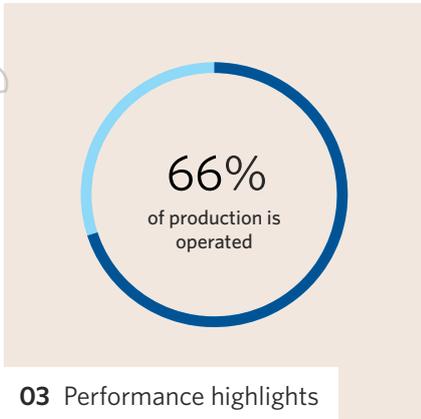


Photographer

- | | |
|---|-----------------|
| 1 | David Sanderson |
| 2 | David Bessen |
| 3 | Jay Golley |
| 4 | David Sanderson |



Our committed people and our values-based culture are our foundation for success.



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About Beach Energy

Australia's largest onshore oil producer, with a major gas business.

Beach Energy is an ASX listed, oil and gas exploration and production company headquartered in Adelaide, South Australia.

Beach's purpose is to sustainably deliver energy for communities and in doing so is focused on maintaining the highest health, safety and environmental standards. Beach is committed to an emissions reduction target of 25% by FY25, measured from when Beach acquired its Lattice assets in 2018.

Founded in 1961, Beach has oil and gas production in five basins across Australia and New Zealand and is a key supplier of gas into the Australian east coast gas market.

Beach's asset portfolio includes ownership interests in strategic oil and gas infrastructure, such as the Moomba processing facility, Otway Gas Plant and BassGas, a portfolio of oil and gas assets across Australia and New Zealand including the Waitsia Gas Project and Beharra Springs in the Perth Basin and a suite of high potential exploration prospects including the Ironbark frontier exploration prospect in the Carnarvon Basin, Western Australia.

Beach has a major gas business comprising operated and non-operated, onshore and offshore assets across five producing basins that supply gas to the Australian west coast and east coast markets and the New Zealand market. With its Cooper, Otway and Bass basin assets, Beach supplied approximately 71 PJ's of gas to the Australian east coast domestic gas market in FY20. The Beach-operated Kupe asset in New Zealand is an important domestic gas supplier and produces approximately 50% of domestic LPG supply.

Beach has established a world-class operated oil business on the Western Flank of the Cooper Basin and has grown to become Australia's largest onshore oil producer.

In addition to its producing assets, Beach has a suite of exploration permits across the onshore Cooper and Perth basins, onshore and offshore Otway Basin and offshore Bonaparte and Carnarvon basins in Australia and the offshore Canterbury and Great South basins in New Zealand.

Beach continues to pursue growth opportunities within Australia and nearby which align with its strategy, satisfy strict capital allocation criteria, and demonstrate clear potential for shareholder value creation.

Beach is also committed to engaging positively with the local communities in which it operates, providing local employment, as well as partnerships with a range of clubs and organisations.

FY20 Group Highlights

🔹 **26.7 MMboe**

Production of 26.7 MMboe net to Beach

📈 **8.8 MMbbls**

Record oil production of 8.8 MMbbls net to Beach

📈 **+200%**

2P Reserve replacement of +200%

📈 **98%**

Achieved target of 98% facility reliability by FY20

💰 **\$50m Net Cash**

Financial strength maintained during a period of high volatility

¹ Return on capital employed (ROCE) defined as underlying NPAT divided by the average of opening total equity and closing total equity.

² Underlying EPS is based on underlying results which are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors. Please refer to the table on page 42 for a reconciliation of the underlying results to the financial report.

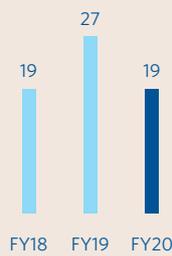
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Performance highlights

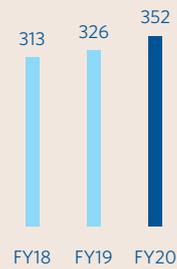
Net Profit After Tax (\$Million)

\$501

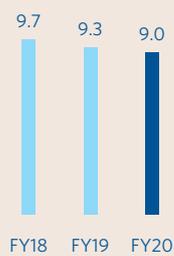
Return on Capital Employed¹ %



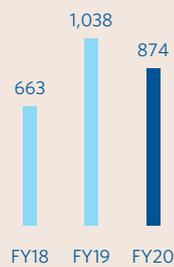
2P Reserves (MMboe)



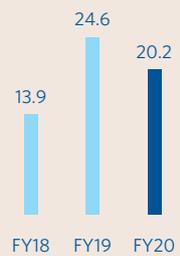
Field Operating Costs (\$/boe)



Operating Cash Flow (\$Million)



Underlying EPS² Cps



Beach Portfolio

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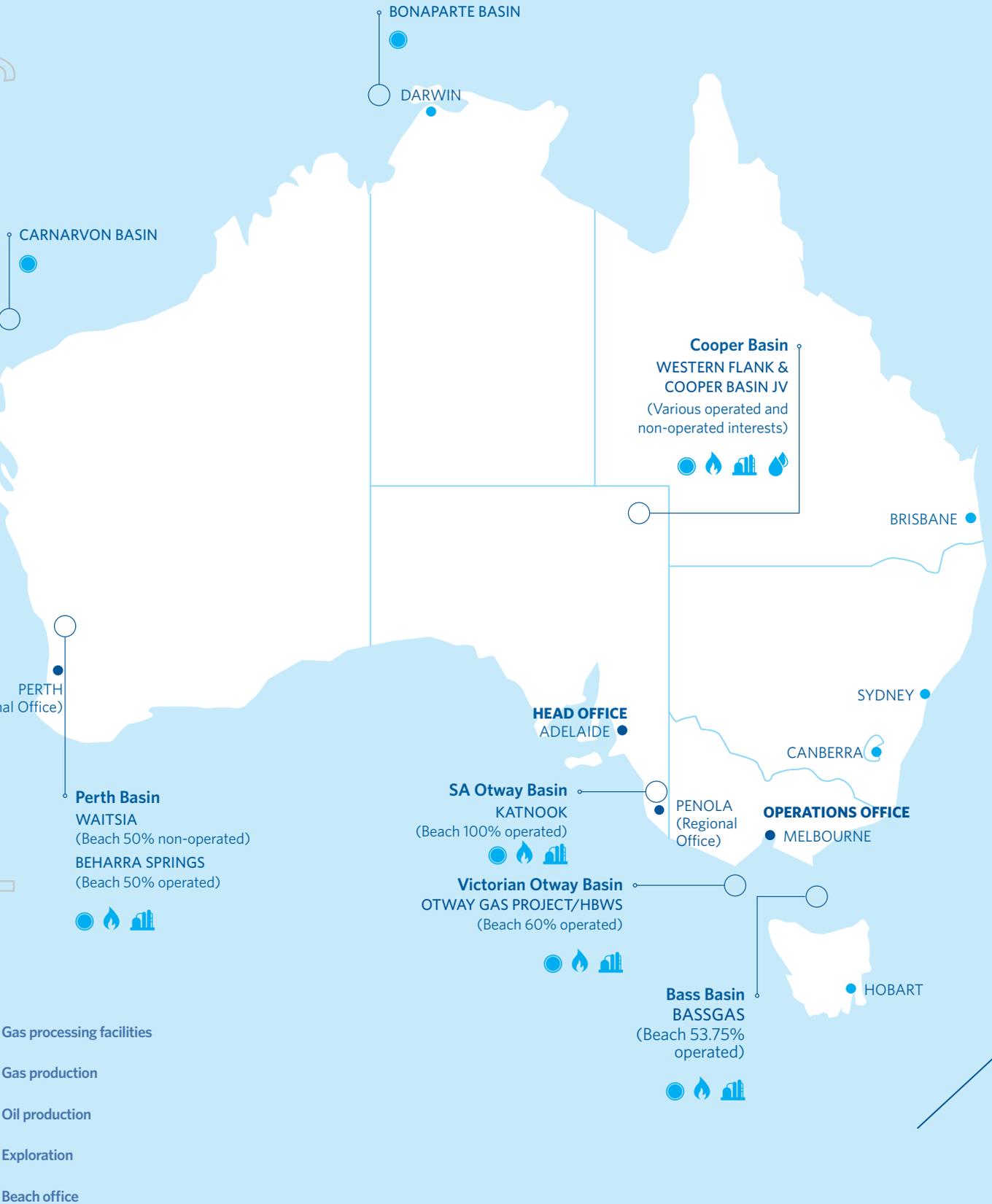


Illustration not to scale. Ownership percentages provided are Beach's ownership of the producing assets in the respective regions.

Asset Highlights

Perth Basin

- Gas discovery in the Kingia Sandstone at Beharra Springs Deep 1 exploration well. Initial 2P reserves booking of 29 MMboe.
- Construction of Waitsia Stage 1 expansion commenced.

Cooper Basin

- Record oil production from the Western Flank, with Beach share of oil output 7.5 MMbbl, a 44% increase on FY19.
- 172 wells drilled in FY20 at an overall success rate of 81%.

South Australian Otway Basin

- First gas achieved from the new 10 TJ/day Katnook Gas Processing Facility.
- Gas discovery at the Dombey gas field.

Taranaki Basin

- Construction commenced on the Kupe compression project.

Victorian Otway Basin

- Completion, connection and commissioning of the Black Watch 1 extended reach gas development well.

Bass Basin

- Trefoil development project progressing through "Concept Select" stage.

Carnarvon Basin

- Continued to progress the Ironbark gas exploration prospect for drilling, currently planned for the fourth quarter of calendar year 2020.

Canterbury Basin

- Continued to progress the Wherry gas exploration prospect for drilling.

Bonaparte Basin

- Interpretation of the new Bethany 3D seismic survey and updating of the prospects and leads inventory across the portfolio.



Beach 2P Reserves

352
MMboe

Chairman's Letter

Dear Shareholder,

Our FY20 Annual Report is released in a challenging global setting, vastly different from a year ago. The emergence and spread of COVID-19 and its impact from a health and economic standpoint has been immense. Swift and decisive action in relation to health and safety, capital management and our operating model has been critical.

As an upstream oil and gas company, our constant focus on risk management and planning for the unexpected saw Beach well placed to respond to the pandemic and oil price crash.

Our Crisis Management Team was activated in February and moved quickly to implement stricter safety and security protocols across all of our sites.

From an operational standpoint, I congratulate our team on their adaptability and professionalism in working to their usual high standards in such difficult times, while remaining focussed on safety. I am pleased to report there have been no recorded cases of COVID-19 at any of our sites and our facilities achieved their 98% average reliability target in FY20, despite the difficult backdrop.

COVID-19 demand destruction and positioning by global oil suppliers saw oil prices tumbling from above US\$65 per barrel in January to below US\$20 per barrel in March. While prices have recovered modestly since then, a lower oil price cycle looks to be with us for some time.

Prudent financial risk management is a key focus of the board and a key strength of your company. In response to the current oil price cycle, Beach has moved to defer up to 30% of previously planned FY21 capital investment and reduced costs significantly. These were not easy decisions, as our diverse portfolio of growth opportunities remains highly value accretive, even with a backdrop of lower oil prices. Whilst difficult, to ensure Beach lives within its means and retains a strong balance sheet, the decision to reduce capital expenditure and costs is the right one.

At last year's AGM, Beach's role in the community was a key theme. It was only fitting that during FY20 we updated our written purpose: "Sustainably deliver energy for communities". We are proud of our role and interactions in the communities in which we operate. This purpose also includes another key priority at Beach; sustainability.

We are proud of our role and interactions in the communities in which we operate.

We see natural gas as an important fuel as our economy transitions to a lower emissions future. In FY20 we completed baseline emission studies and identified opportunities to reduce emissions in FY21 and beyond. As a tangible next step, the board has approved an emissions reduction strategy, targeting a 25% reduction in emissions by FY25 relative to FY18 levels. Our Sustainability Report will detail the work we are doing in this regard.

Whilst programs have been deferred, drilling in the offshore Otway, offshore Carnarvon and onshore Cooper basins in FY21 continue to provide a platform for future growth.

The board remains confident your company has the financial strength, management team and assets in place to grow shareholder value despite the very difficult current environment.

I would like to thank all of our staff, contractors and stakeholders for their hard work in challenging conditions to safely deliver our strong operational results in FY20.



Glenn Davis
Chairman

17 August 2020

1. David Sanderson, Supply Base Specialist, BPS Supply Chain SAWA

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During FY20 we updated our written purpose: "Sustainably deliver energy for communities".

Sunset at Black Watch 1 Otway Basin, Victoria

Managing Director's Letter

We are committed to being a growth company.

Dear Shareholder,

FY20 has been a year like no other. Fortunately for Beach it was a year in which the strength of our balance sheet, our gas business revenues and our people came to the fore as we dealt with the sudden emergence of COVID-19 and its impact on operations and oil prices.

As an energy company, the health and safety of our people and communities is paramount. Safety takes precedence in everything we do. That took on a broader meaning in FY20 as the COVID-19 pandemic swept the world, causing us all to experience circumstances and challenges like we haven't experienced before.

I am very proud of the swift and decisive way our business reacted to the emergence of this pandemic. We moved early to trigger the procedures we have in place for such emergencies, starting with the activation of our Crisis Management Team in February. Our response included early engagement with key contractors and suppliers, and the implementation of health and business continuity plans which saw strict new site access arrangements put in place. These measures helped ensure the health of our workers and the continued supply of energy into the communities we serve.

Making a positive contribution to the communities in which we operate is of great importance to everyone at Beach and we take pride in being an active and leading member in our communities. We value our relationships and the support we both receive and provide because we know our business is critical in delivering the energy our society needs. To that end, during the year Beach rewrote its purpose to more accurately reflect what we strive to do each day. This resulted in the roll out of our updated business purpose: Sustainably deliver energy for communities.

The emergence of COVID-19 also saw a significant shock to the global economy and oil price environment. Brent oil prices declined from over US\$65/bbl at the start of calendar year 2020 to under US\$20/bbl in April. The speed and depth of the decline was the likes of which I haven't seen in my career.

These circumstances highlight the importance of maintaining financial strength as a core strategic pillar. Our financial strength is led by our large gas business. Our gas and ethane sales revenue in FY20 was \$605 million, this covered all of Beach's stay in business costs, while we forecast that FY21 gas sales revenue will cover all group operating and stay-in-business costs. The gas business underpins our prudent financial management which saw Beach entering this downturn with a very strong balance sheet and ending the year in a net cash position with \$500 million of liquidity.

FY20 Review

Even through challenging external factors, FY20 was another year of achievement for Beach. Today we have reported:

- Underlying NPAT of \$461 million, a very strong result after selling down 40% of our Victorian Otway Basin working interest at the end of FY19 and oil price headwinds in Q4 FY20.
- Record net to Beach oil production from the Western Flank of 7.5 MMbbl.
- Record investment in the Beach business with capital expenditure of \$863 million.
- Closing out the year in a net cash position with available liquidity of \$500 million.
- A world class return on capital employed of 19.2%, reflecting disciplined financial management and diligent execution on our portfolio of organic investment opportunities.
- A 214% organic 2P reserves replacement ratio.

At the start of FY20, in a totally different macro-economic environment, we set ourselves ambitious goals as we progressed our multi-year, portfolio-wide investment program including an incredibly active year with the drill bit.

In the Victorian Otway Basin we successfully commenced the multi-year drilling program with the completion and tie-in of the 7.2km Black Watch gas development well. This is the longest well drilled in Australia from an onshore location and the first well connected to supply the Otway Gas Plant in over four years - we are thrilled with this result.

In the Cooper Basin, Beach participated in drilling programs involving four non-operated and three operated drilling rigs during peak activity.

This resulted in the highest ever number of Beach-participated Cooper Basin wells at 172, up from 134 in FY19 and helped drive the record production result from our Western Flank oil business.

Western Flank oil production was 7.5 MMbbls, a 44% increase over FY19, underpinned by record gross operated oil production from Beach-operated ex PEL 91 and ex PEL 92. This was achieved thanks to a combination of ongoing horizontal drilling activity and hard work to identify opportunities to debottleneck and optimise our infrastructure to achieve higher fluid production. A continued focus on operating costs saw field operating costs again under \$5/bbl, despite 30 additional development wells being brought online during FY20.

Beach also participated in six wells outside of the Cooper Basin, in the Perth Basin, SA and Victorian Otway Basin and Great South Basin in New Zealand.

The well drilled in the Perth Basin was the successful Beharra Springs Deep 1 exploration well. This was an outstanding exploration result with flow rates of up to 46 MMscfd observed on test, constrained by tubing size and at 30 June 2020, we added 29 MMboe of Perth Basin 2P reserves. The Perth Basin is a key growth asset for Beach, both in our exciting operated permits like Beharra Springs Deep and at the Waitsia gas project, where along with our partner and operator Mitsui E&P Australia (MEPAU) we took final investment decision on Waitsia Stage 1 expansion. This project will expand capacity of the Xyris facility from 10 TJ/day to 20 TJ/day and connect the facility to the DBNGP via a large diameter pipeline with capacity for future Waitsia Gas Project Stage 2 production volumes. The MEPAU-operated joint venture continues to progress Waitsia Stage 2.

At another of our growth assets, in the SA Otway Basin, we had exploration success with the Dombey 1 gas exploration well (which received funding from the South Australian Government's PACE gas program) and appraisal success with the Haselgrove 4 DW1 well. Drilling success complemented the start-up of the 10TJ/day Katnook Gas Processing Facility. This facility was constructed with the assistance of a Commonwealth Government GAP grant, meeting its objective of bringing new gas to the Australian domestic market.

In New Zealand, the Kupe asset again showed its strength, operating at 99% facility reliability over the entire year. The team also completed the first full statutory shutdown of the Kupe plant under Beach ownership, which was completed on time and on budget, with over 80,000 hours of work executed with no recordable HSE incidents. A fantastic team effort.

A key highlight in FY20 was the achievement of average reliability across the operated assets 98%. Low operating costs, high asset reliability and strong operating safety performance are key facets of the way Beach operates. High facility reliability ensured our product was available to our customers when they needed it, maximising our sales volumes through the year. A commendable achievement, particularly in the COVID-19 world.

Most importantly, these achievements were obtained all while maintaining strong operating safety performance. In FY20 we reported a TRIFR of 3.7. This is in line with previous years even with the increased activity level occurring around the business, a commendable effort. Nonetheless, the business has taken steps to ensure a continued focus on safety and to recognise periods of heightened risk as safety takes precedence in everything we do.

FY21 Outlook

In recognition of the changing macro-economic circumstances and oil price environment, and with maintaining financial strength as a core pillar, we have announced plans to moderate the pace of our multi-year, portfolio-wide, investment program.

In previous years we talked of accelerating investment as opportunities continued to present and the market dynamics were supportive. This doesn't mean any of the investment opportunity set is lost, rather even at lower oil prices these projects still pass our internal investment hurdles. But in a time of heightened uncertainty, both economically and operationally, we are taking the prudent path to moderate our pace.

A key strength of this business is the ability to be nimble and now is the time to utilise that strength and, to use an auto analogy, move from fifth gear to third.

Environmental, Social, Governance

Gas is expected to play a key role in the global transition away from coal to renewables. As a key supplier of gas into the east coast gas market, Beach is playing its role in this transition process.

FY20 was an important year for Beach as we completed baseline emissions studies across all of our sites and identified opportunities for emission reductions. I am pleased to announce that our board has approved plans to target a 25% reduction in emissions by FY25, measured from when Beach acquired its Lattice assets in 2018. A corresponding emissions intensity reduction of 13% is expected over this period. This target will be achieved through a combination of activities including a proposed hybrid power project in the Western Flank, improved flare management planning and fugitive emission reduction and prevention projects.

Conclusion

To close, I want to reiterate that this remains an exciting time for Beach. We are committed to being a growth company. Our balance sheet is in great shape, we have the benefit of a large, stable gas business which provides significant revenue certainty and we have the people and culture to continue to sustainably deliver energy for communities.



Matt Kay
Managing Director &
Chief Executive Officer

17 August 2020

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Cooper Basin, South Australia

Executive Team

1.



1. Matthew Kay

Managing Director &
Chief Executive Officer
BEC, MBA, FCPA, GAICD

Mr Kay joined Beach in May 2016 as Chief Executive Officer and was appointed to the Board as Managing Director in February 2019. In November 2018, he was elected to the Australian Petroleum Production & Exploration Association (APPEA) Board.

Mr Kay brings over 25 years' experience in the Oil and Gas industry to Beach. Before joining Beach, he served as Executive General Manager, Strategy and Commercial at Oil Search, a position he held for two years. In that role he was a member of the Executive team and led the strategy, commercial, supply chain, economics, marketing, M&A and legal functions.

Prior to Oil Search, Mr Kay spent 12 years with Woodside Energy in various leadership roles, including Vice President of Corporate Development, General Manager of Production Planning and General Manager of Commercial for Middle East and Africa. In these roles Mr Kay developed extensive leadership skills across LNG, pipeline gas and oil joint ventures, and developments in Australia and internationally.

Since joining Beach, Mr Kay has approximately tripled the company's production, reserves and market capitalisation having successfully led the company through the transformational acquisition of Lattice Energy. This has seen Beach enter the ASX 100 and solidify its position there.

2.



2. Morné Engelbrecht

Chief Financial Officer
BCom (Hons), CA (ANZ & South Africa),
MAICD

Mr Engelbrecht joined Beach in September 2016 as Chief Financial Officer and is responsible for the finance, tax, treasury, information technology, contracts & procurement, insurance and investor relations functions. He is a Chartered Accountant with more than 19 years' experience in the oil, gas and resource sectors across various jurisdictions including Australia, South Africa, the United Kingdom, Papua New Guinea and China.

Prior to his role with Beach, he held the position of Managing Director and Chief Executive Officer of an ASX-listed company. Prior to this he held various financial, commercial and advisory senior management positions at InterOil, Newcrest (formerly LGL), Harmony Gold and PwC. Mr Engelbrecht also has extensive experience in strategy and planning, capital management, debt and equity markets, M&A and joint venture management and operations.

3.



3. Ian Grant

Chief Operating Officer
MSc, CMgr FCMl

Mr Grant commenced as Beach's Chief Operating Officer in July 2020, and brings with him over 25 years' experience in the energy industry, having held senior leadership and executive roles in operations, projects, drilling and supply chain functions.

Born in Scotland, Mr Grant has extensive North Sea experience and has worked in Europe and Australia with companies such as Mobil, ARCO/BP, Apache, Quadrant Energy and Santos.

Most recently Mr Grant was Chief Operating Officer for Quadrant Energy and Vice President of Production Operations for Santos based in Perth.

He is passionate about delivering safety, operational and commercial performance in both onshore and offshore environments.

We have the people
and culture to continue
to sustainably
deliver energy for
communities.



4. Jeff Schrull

Group Executive Exploration and Appraisal
BSc Geophysics (Maths, Geology, Physics), M.S Geophysics

Mr Schrull joined Beach in January 2017 in the position of Group Executive Exploration and Development bringing to Beach over 30 years of upstream oil and gas experience. Prior to this, Mr Schrull held the position of General Manager Exploration and Production at Cue Energy.

He previously held several senior international positions with Chevron over a 19 year period, and was subsequently at Addax Petroleum in the role of Corporate General Manager of Exploration. He has a strong track record in creating and delivering growth through exploration, development, operations and M&A.

5. Lee Marshall

Group Executive Corporate Strategy and Commercial
BE Commerce (Economics and Finance)

Mr Marshall joined Beach in January 2018 as Group Executive Corporate Strategy and Commercial. Prior to joining Beach, Mr Marshall was most recently General Manager UK for Woodside Energy. Based in London, Mr Marshall managed exploration assets and business development opportunities in the Atlantic Basin and Africa. He has over 20 years of Australian and global commercial, business development and financial management experience across upstream oil and gas and LNG.

Mr Marshall is responsible for upstream commercial, strategy, economics, M&A, business development and marketing.



6. Sheree Ford

General Counsel
BA, LLB, MBA

Ms Ford joined Beach in March 2018 bringing over 25 years' experience as a corporate lawyer primarily in the upstream oil and gas industry. Prior to joining Beach, Ms Ford worked for over 10 years as in-house counsel at BHP Limited, primarily in the oil and gas business and was General Counsel and Company Secretary at listed oil and gas companies including InterOil Corporation, Oil Search Limited and Roc Company Limited.

As well as extensive experience in the upstream oil and gas business across Australia, Asia, Africa and the United Kingdom, Ms Ford has been involved in numerous large company transactions including M&A.



7. Geoff Barker

Group Executive Development
BSc, MEng (Pet Eng)

Mr Barker joined Beach in February 2018 as Group Executive Development bringing to Beach over 30 years of upstream oil and gas experience. Prior to joining Beach, Mr Barker was a partner at leading oil and gas consulting firm RISC where he managed development and value enhancement studies on a wide range of onshore and offshore major projects internationally and within the Australasian region. Mr Barker has held senior management and technical positions in development and operations at Woodside, Shell and Bridge Oil.



8. Brett Doherty

Group Executive Health, Safety, Environment and Risk
BEng (Electrical), LLB (Hons)

Mr Doherty joined Beach in February 2018 as Group Executive Health, Safety, Environment and Risk, bringing over 30 years of upstream oil and gas experience to Beach. His career includes extensive exposure to both offshore and onshore development and operations.

Prior to Beach, Mr Doherty was General Manager of Health, Safety and Environment at INPEX Australia. He has held several senior international positions during his career, including ten years as the Chief HSEQ Officer at RasGas Company Limited, in the State of Qatar.



9. Lesley Adams

Group Executive, Human Resources

Ms Adams commenced with Beach in October 2019 as Group Executive, Human Resources. She is an experienced executive with more than 25 years' experience within the international and Australian oil and gas industry, with business experience in Human Resources, Strategic Planning, Joint Venture Management, Emergency Management, Sustainability, Indigenous and Government Affairs and M&A.

Prior to Beach, Ms Adams was Group Executive Corporate Services for Quadrant Energy and assisted the integration post-acquisition by Santos Ltd. Ms Adams has previously worked for Santos, Woodside, AMEC and Schlumberger.

Ms Adams is recognised as a strategic and successful leader across a range of different disciplines and functional areas and brings a track record of delivering efficient and effective business outcomes that drive performance. Holding qualifications from the CIPD (UK), Ms Adams is a Fellow of the Australian Human Resources Institute and a Graduate of the Australian Institute of Company Directors.

Our Strategy

We continue to execute and deliver against our well defined strategy.



Optimise our operated and non-operated producing assets

- Achieved average facility reliability target of 98%.
- Record oil production, net to Beach, achieved from the Western Flank.
- Western Flank oil surface infrastructure investment has delivered an installed capacity of approximately 23,000 bopd enabling oil production to be doubled over the past 18 months.
- Construction commenced on the Kupe compression project.



Strengthen our complementary gas businesses

- Commenced construction of Waitsia Gas Project Stage 1.
- Exploration success in the Perth Basin at Beharra Springs Deep 1.
- Black Watch 1 onshore-to-offshore gas development well drilled and tied-in to Otway Gas Plant, for first new gas supply in over four years.
- First gas achieved from the new 10 TJ/day Katnook gas processing facility.



Pursue other compatible growth opportunities

- Waitsia Gas Project Stage 2 further progressed. Stage 1 expansion includes a connection to the DBNGP with capacity for future Stage 2 volumes.
- Frontier exploration drilling commenced with the first of three currently planned wells. Ironbark and Wherry are progressing towards drill ready status.



Maintain financial strength

- Net cash position at 30 June 2020, with \$500 million in liquidity.
- No debt maturity until November 2022.
- Realised the \$30 million reduction in direct controllable operating costs from FY18 baseline.
- Achieved ~15% reduction in field operating costs on a dollar per boe basis since acquisition of Lattice.
- Flexibility in growth portfolio enables business to reduce FY21 capital investment by up to 30% from previously planned levels.
- Reported ROCE of 19% in FY20.



Our people and culture

- COVID-19 plans put in place at all operational sites, including tighter site access controls and protocols regarding hygiene, social distancing, case management, isolation, evacuation and assurance.
- Activated work-from-home for all office locations during COVID-19 pandemic.
- Launched a Workplace Giving program to match charitable donations made by our people.
- Launched partnerships with Zoos SA to sponsor the Southern White Rhinos at Monarto Safari Park and South Australian Health and Medical Research Institute (SAHMRI) to be the major sponsor of the Science, Technology, Engineering and Mathematics (STEM) Pathways Program which aims to support Aboriginal and Torres Strait Islanders develop skills, training and experiences within the health and medical research sector.

Average facility reliability

98%

Net cash position

\$50m

at 30 June 2020

Operating Review

Performance overview

		FY16	FY17	FY18	FY19	FY20
Production	MMboe	9.7	10.6	19.0	29.4	26.7
2P reserves	MMboe	70	75	313	326	352
2C contingent resources	MMboe	205	153	207	185	180
Sales revenue	\$ million	558	653	1,251	1,925	1,650
Net profit after tax	\$ million	(589)	388	199	577	501
Underlying net profit after tax	\$ million	36	162	302	560	461
Earnings per share	cps	(39.6)	20.4	9.2	25.4	22.0
Underlying earnings per share	cps	2.4	8.5	13.9	24.6	20.2
Cash flow from operating activities	\$ million	233	319	663	1,038	874
Net assets	\$ million	1,075	1,402	1,838	2,374	2,820
Net debt/(cash)	\$ million	(49)	(198)	639	(172)	(50)
Gross gearing ratio	%	13.5	11.8	34.2	NA	NA
Fully franked dividends declared per share	cents	0.5	2.0	2.0	2.0	2.0
Shares on issue	million	1,861	1,874	2,277	2,278	2,281
Share price at year end	\$	0.61	0.575	1.755	1.985	1.52
Market capitalisation at year end	\$ million	1,135	1,077	3,995	4,522	3,467

Production

	FY19		FY20			Year-on-year change (%)
	Oil equivalent (MMboe)	Oil (MMbbl)	Gas liquids (MMboe)	Gas (PJ)	Oil Equivalent (MMboe)	
Western Flank	7.1	7.5	0.6	8.6	9.6	35
Cooper Basin JV	8.1	1.3	1.2	36.3	8.7	8
Other Cooper Basin	0.2	-	0.0	0.3	0.1	(78)
SA Otway Basin	NA	-	0.0	0.9	0.2	NA
Perth Basin	0.7	-	0.0	2.3	0.4	(42)
SAWA	16.1	8.8	1.8	48.4	18.9	18
Vic Otway Basin	8.4	-	0.4	18.4	3.6	(57)
Bass Basin	1.7	-	0.3	6.1	1.4	(19)
Victoria	10.1	-	0.8	24.5	5.0	(51)
New Zealand	3.2	-	0.8	11.6	2.8	(11)
Total Production	29.4	8.8	3.4	84.5	26.7	(9)

Operating Review

Finance

A key facet of Beach's strategy is to maintain financial strength to help ensure the company can withstand unpredictable economic shocks such as those witnessed in FY20.

After completing the Lattice acquisition in January 2018, our focus was to integrate the assets within the Beach portfolio, reduce costs and rapidly pay down our debt. Our prudent approach to balance sheet management included repaying almost \$1 billion of debt in under 18 months, realising \$60 million in synergies and this year achieving further reduction in direct controllable operating costs leading to a reduction in field operating costs by approximately 15% on a dollar per boe basis since the acquisition of Lattice. The outcome being a business in a net cash position, with a low cost operating model, a flexible portfolio of growth opportunities and well placed to take fast and prudent action when oil prices rapidly fell in March and April this year.

We entered the downturn in a net cash position, with a \$450 million revolving credit facility and no debt maturity until November 2022. We finished the year ended 30 June 2020 with liquidity of \$500 million. Our goal is to retain our strong financial position over the coming years.

Achieved debt repayment

\$1 billion

Field Operating cost reduction since Lattice acquisition

↓ 15%

Our goal is to retain our strong financial position over the coming years.

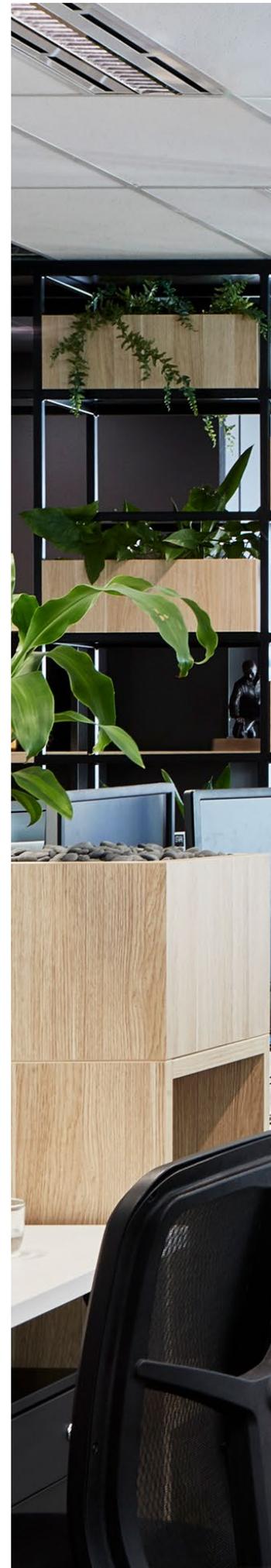
Our portfolio of flexible capital project investment opportunities allowed us to quickly move to defer a portion of our planned growth investment to ensure the company continues to live within its means. It's important to note that our planned growth investment strategy is essentially unchanged; what has changed is the pace of this investment, which has been moderated to target our highest returning opportunities first while ensuring we retain our financial strength.

Despite the impact of lower commodity prices in the second half of FY20, the company was able to achieve a Return on Capital Employed of 19.2% in FY20, again meeting our target range of 17-20%. This is a great result for the company and shareholders, though we acknowledge the challenge of achieving this outcome going forward if oil prices remain subdued.

Part of our financial strength is derived from our increasing gas exposure. More than 99% of our FY20 gas production was contracted and sold at fixed prices or protection against oil price downside. Revenue from the gas business in FY20 covered all group operating costs.

Our conservative approach to balance sheet management means that we can take advantage of new investment opportunities as they arise, with all growth investment judged against our strict investment screening criteria. We remain committed to our mantra of being a growth-oriented company.

Morné Engelbrecht
Chief Financial Officer





Adelaide Head Office

Operating Review

Exploration and Appraisal

At Beach a key five-year goal is to more than replace our 2P reserves on average over this period. In FY20 we once again achieved our goal, with a 214% 2P organic reserves replacement and 263% 2P organic reserves replacement over the past three years. Our exploration and appraisal strategy is one of the keys to achieving this goal.

Our appraisal strategy is designed to optimise ultimate recovery from our fields in the most cost-effective way, achieved via delineation of field size as early as possible in the field life and then formation of an efficient field development plan for the life of each field.

Our exploration strategy is designed to find new pools of hydrocarbons, either within tie-back distance to existing surface processing facilities, or large enough to justify new infrastructure investment. In FY20 Beach enjoyed exploration success at Beharra Springs Deep 1 in the Perth Basin, at Dombey 1 in the South Australian Otway Basin and across the Cooper Basin JV, particularly in South West Queensland.

Appraisal drilling of the Bauer Field continues to exceed expectations.

Perth Basin

In the Perth Basin, we announced the Beharra Springs Deep gas discovery. Beharra Springs Deep 1 targeted the same Kingia formation that has proven to be prolific at the nearby Waitsia gas field. The result confirmed the extension of the Kingia play, with the well flowing up to 46 MMscfd on test¹, constrained by tubing. Planning is underway to appraise the discovery and undertake further exploration drilling in the Perth Basin. The Trieste 3D seismic survey was acquired during the year, which will be used to high grade conventional gas prospects for future drilling.

Cooper Basin

We continued applying our appraisal strategy across the Western Flank in FY20. The “Bauer Strategy” calls for the drilling of appraisal wells with larger step out distances from existing wells to provide early definition of the boundaries in our producing oil and gas fields. Once field limits are defined, full field development plans are formulated, focussed on both horizontal and vertical in-fill drilling and infrastructure requirements to fully monetise the asset.

Appraisal drilling of the Bauer Field continues to exceed expectations, with year-on-year conversion of 3P reserves to 2P reserves resulting in new oil production wells being added and field extensions identified in both the northern and southern parts of the field.

This strategy has also been effective in refining field development plans in fields such as Balgowan, Butlers, Callawonga, Parsons and Congony-Kalladeina. For example, the Balgowan oil field has been transformed from a field with a single vertical well field to one in which infrastructure expansion and multi-well horizontal drilling is being planned to maximise the recovery of a much larger reserve base.

While in the Cooper Basin JV, we worked closely with operator Santos as exploration and appraisal activities were ramped up, with a strong focus on oil appraisal in South Australia and gas exploration and appraisal in South West Queensland. Notable successful well outcomes were at the Merchant, Leghorn and Cherokee fields.

Victorian Otway Basin

We continued to mature our exploration prospects in the Victorian Otway Basin to be drill-ready. The Enterprise onshore-to-offshore and Artisan offshore prospects are expected to be the first exploration prospects drilled. The impact of COVID-19 and changes to our rig contracts has meant these wells are now expected to be drilled in FY21.

SA Otway Basin

In the SA Otway Basin, a gas discovery was made at the Dombey gas field with exploration well Dombey 1 (Beach 70% and operator, Cooper Energy 30%). The joint venture is considering the acquisition of a 3D seismic survey to gain a better understanding of the field, before follow-up appraisal drilling is undertaken.

Frontier

Beach participated in the Tawhaki 1 exploration well in permit PEP50119 in the Great South Basin, offshore New Zealand. This was the first of three currently proposed frontier exploration wells. Although Tawhaki 1 intersected reservoir, there were no hydrocarbon shows and hence the well was plugged and abandoned.

Jeff Schrull

Group Executive – Exploration and Appraisal

Beharra Springs Deep flow rate up to

46
MMscfd

¹ Refer to ASX announcement #044/19 dated 16 December 2019.

Development

In FY20 we made good progress under our multi-year investment program which is designed to unlock the reserves within our existing oil and gas fields.

COVID-19

Like many businesses across the globe, Beach has had to adapt to the impact of COVID-19. Beach undertook early engagement with key contractors and suppliers, reviewing supply chains and identifying areas of greater risk and what that meant for the safe and efficient execution of each development project being undertaken. The ability to identify and adapt to changing risk profiles is a key attribute of the Beach team – Creativity and Performance are two of our core values – and this year, showing both was key to our success in a challenging environment.

Victorian Otway

One of Beach's key development projects is the Victorian Otway program. This program started strongly with the drilling and tie-in of the Black Watch 1 onshore-to-offshore development well. At 7.2 kilometres measured depth, Black Watch 1 was the longest well drilled in Australia using an onshore rig. Pleasingly, the well result met pre-drill expectations and was subsequently tied-in to the Otway Gas Plant by the end of FY20. This represents the first new gas production well drilled in the Victorian Otway Basin in more than five years.

The offshore development program was further progressed with engineering and testing undertaken and long lead items ordered. Despite termination of the rig contract with Diamond Offshore for the Ocean Onyx semi-submersible drill rig, Beach remains committed to the execution of the Victorian Otway Development program.

Western Flank

In Western Flank, Beach participated in 36 oil development wells at a success rate of 97%. This included 27 horizontal oil development wells. The breadth of this development program and the success of these horizontal wells was a key driver of the record production achieved from the Beach-operated ex PEL 91 and ex PEL 92 assets, achieving gross operated production rates in the second half of FY20 as high as 23,000 bopd.

A highlight was the Bauer 39 horizontal development well, which was the longest McKinlay horizontal well drilled to date. This means that the well was drilled into the McKinlay reservoir and that our geo-steering team was able to manoeuvre through the reservoir for over 1.5kms, with 90% net pay. The well was brought online during the year and its first full month of ESP production produced at an average rate of 3,500 bopd. An exceptional result and a great illustration of the potential of horizontal drilling in the Western Flank.

Perth Basin

The Perth Basin represents a key growth asset for the company. The Waitsia Joint Venture led by operator MEPAU, took FID on the Waitsia Gas Project Stage 1 (Stage 1 expansion) in July 2019, which will expand the Xyris gas processing facility capacity from 10 to 20 TJ/day. The Xyris facility was shut in on 1 January 2020 for construction to commence and is expected to be online in the first quarter of FY21.

Stage 1 expansion also incorporates a large diameter pipeline (with capacity for future Waitsia Gas Project Stage 2 production volumes) connecting the Xyris facility to the Dampier to Bunbury Natural Gas Pipeline. To that end, the Waitsia Joint Venture continues to make good progress towards FID on Waitsia Gas Project Stage 2, with FEED being completed and EPC being finalised. The Project is expected to add up to 250 TJ/day of processing capacity to the field.

The Beharra Springs Deep 1 discovery will be connected to the existing facilities in FY21 bringing capacity up to the nameplate of 25 MMSCF/d and additional gas contracts have been secured to monetise the reserves.

Studies into re-lifing and expansion have commenced and concept select will be carried out in FY21 to both local businesses and the east coast gas market.

New Zealand

In New Zealand, 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.

SA Otway Basin

Completion and commissioning of the 10 TJ/day Katnook Gas Processing Facility was completed in FY20 with the facility supplying new gas to local businesses and the east coast gas market.

Bass Basin

Beach continued the Trefoil "Concept Select" phase, which aims to reduce subsurface and development uncertainties to a point where an investment decision can be undertaken, with Beach targeting FEED entry in FY21. Concurrently, work commenced on the assessment of nearby gas fields Rockhopper, White Ibis and Bass in the adjacent retention licences.

Geoff Barker
Group Executive – Development

Basin	Target	Type	Wells drilled	Successful	Rate (%)
Cooper/ Eromanga Basins	Oil	Exploration	3	0	0
		Appraisal	56	34	61
	Development	40	39	98	
		Gas	Exploration	12	9
	Appraisal	16	14	88	
		Development	45	43	96
SA Otway Basin	Gas	Exploration	1	1	100
		Appraisal	2	2	100
Vic Otway Basin	Gas	Development	1	1	100
Perth Basin	Gas	Exploration	1	1	100
Great South Basin	Gas/Oil	Exploration	1	0	0
Total wells drilled			178	144	81

Operating Review

Western Flank Oil and Gas



FY20 production

9.6 MMboe

36% of Beach's total production

2P reserves¹

61.6 MMboe

Operations

Western Flank oil operations accounted for 28% of Beach's FY20 production. The connection of new oil wells and artificial lift saw Beach's share of Western Flank oil production increase to a record 7.5 MMbbl, representing a 44% increase on FY19's record levels.

Strong performance was underpinned by the results of the horizontal drilling program, focus on well online times to enable early production, appropriate artificial lift installation and targeted expansion of surface infrastructure.

Western Flank gas operations accounted for 8% of Beach's FY20 production. Western Flank gas/gas liquids production of 2.1 MMboe was a 12% increase on FY19 levels. The increase in gas and gas liquids output was underpinned by higher facility reliability.

Development

Beach participated in 36 Western Flank oil and gas development wells with an overall success rate of 97%.

Notable outcomes were:

- 27 Beach-operated horizontal oil wells drilled across the Bauer, Chiton and Kalladeina-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. That well, Bauer 39 was brought online in FY20 and in its first month on pump produced at an average 3,500 bopd.
- FY20 infrastructure investment has delivered an installed capacity of approximately 23,000 bopd, enabling oil production to be doubled over the past 18 months.

FY20 Highlights

Record oil production from the Western Flank, with Beach share of oil production 7.5 MMbbl, a 44% increase on FY19.

78 wells drilled on the Western Flank in FY20, an 86% increase on FY19.

28 horizontal oil wells successfully drilled.

Field extensions at Bauer, Balgowan, Congony, Kalladeina and Hanson oil fields resulted in 12MMbbl of 2P reserve adds.

Western Flank achieved 2P reserves replacement of 137%.

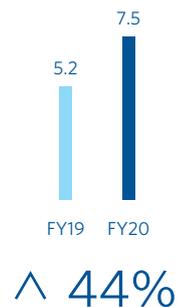
FY21 Focus

Optimised drilling program in place designed to maintain oil production levels and minimise drilling expenditure.

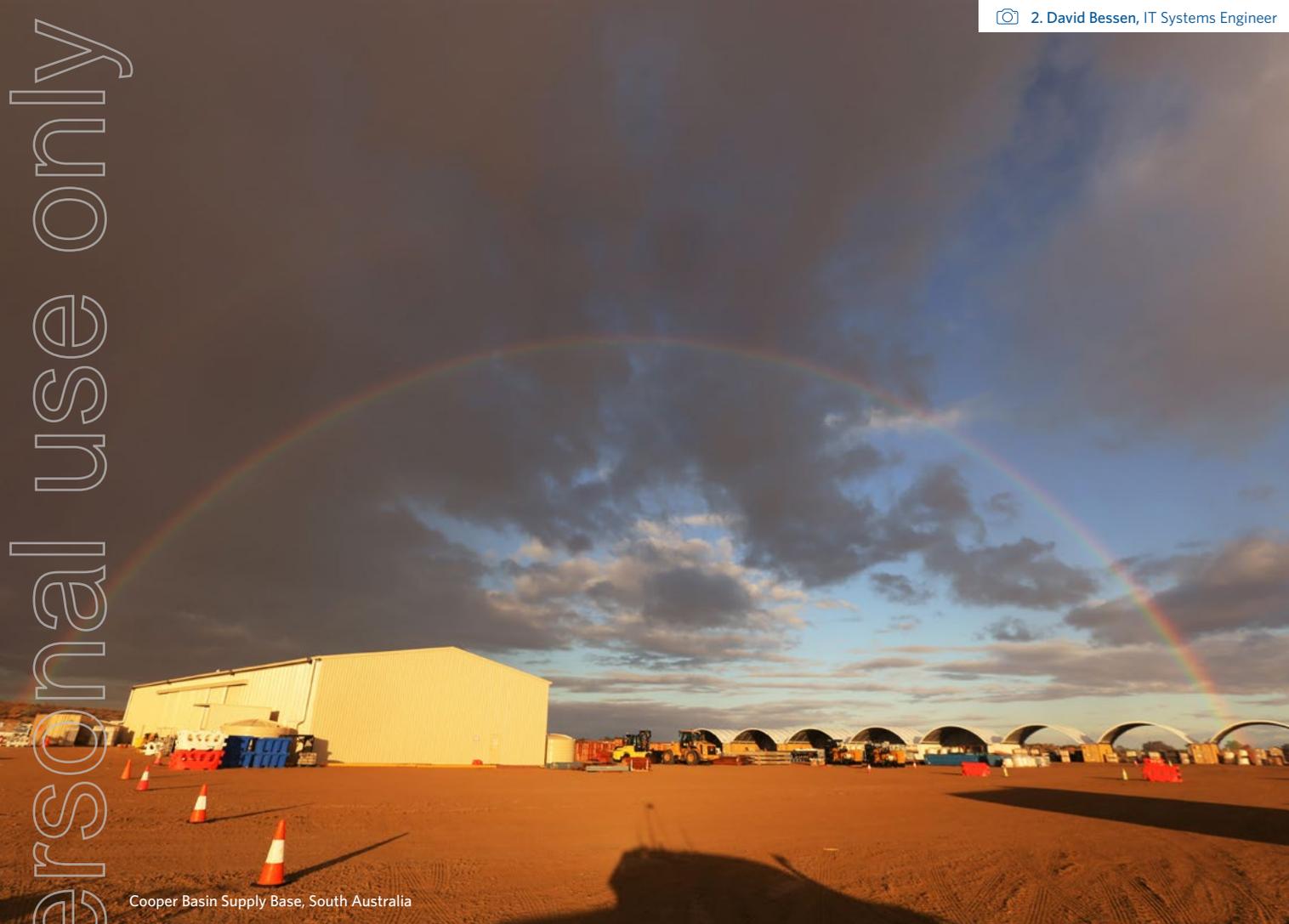
Primary focus on development drilling, with selected appraisal and exploration investment.

Maintain focus on low cost operator model.

Western Flank oil production (MMbbl)



¹ Refer to Reserves Statement for the year ended 30 June 2020 on pages 28 – 33 of this report for additional disclosures.


 2. David Bessen, IT Systems Engineer

Cooper Basin Supply Base, South Australia

Exploration and Appraisal

Beach participated in 42 Western Flank oil and gas exploration and appraisal wells with 21 wells cased and suspended as future producers (19 oil and two gas wells), equivalent to a success rate of 50%.

Beach undertook operated appraisal campaigns on Bauer, Chiton, Hanson, Arno, Balgowan, Congony and Kalladeina fields in ex PEL 91 and Parsons, Callawonga, Butlers, and Rincon fields in ex PEL 92. Field limits were defined at Parsons, Callawonga, Butlers, Arno and Hanson fields, while field extensions were identified at Bauer, Chiton, Congony and Kalladeina fields. Further potential for appraisal and development drilling is to be evaluated utilising production data from the wells.

Beach successfully drilled two gas appraisal wells in early FY20 at Crockery West 1 and Ralgna East 1 - both were kept as production wells contributing to full export capacity through the Middleton facility.

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 FY20 drilling campaign.

Commercial

Beach has executed GSAs with customers for supply of its Western Flank gas in 2020.

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 are ex PEL 106 (Beach 100%), ex PEL 91 (Beach 100%) and the Udacha Block — PRL 26 (Beach 100%). Other licences include ex PEL 107 (Beach 100%) and PEL 630 (Beach 50% and operator, Bridgeport 50%).

Operating Review

Cooper Basin Joint Venture



FY20 production

8.7 MMboe

33% of Beach's total production

2P reserves¹

85.0 MMboe

Operations

The Cooper Basin JV operations accounted for 33% of Beach's FY20 production. Net gas and gas liquids production of 7.4 MMboe was up 14% from the prior year and comprised sales gas of 6.2 MMboe and gas liquids of 1.2 MMboe. This was driven by new well connections after higher drilling activity, more than offsetting natural field decline.

Net oil production of 1.3 MMbbl was down 16% on the prior year driven by natural field decline, partly offset by additional oil development wells.

Exploration, Appraisal and Development

Beach participated in 94 Cooper Basin JV wells, 11 gas exploration, 14 gas appraisal, 45 gas development, one oil exploration, 19 oil appraisal and four oil development wells.

Highlights from the FY20 drilling program included:

- Overall success rate of 88%.
- Four drilling campaigns targeting the Toolachee formation in South West Queensland culminated in eight wells that demonstrated the high rate potential of the formation. Production rates from the wells exceeded pre-drill expectations, flowing with a 30-day average initial production rate of 3 - 14 MMscfd.
- On the Coolah Field in South West Queensland, Coolah 9 and 10 were drilled using underbalanced drilling techniques. The wells had 30-day average IP rates of 7.6 and 10.3 MMscfd respectively.

Commercial

Cooper Basin JV partners, Beach and Santos, agreed an extension of ethane gas supply to Qenos, Australia's sole manufacturer of polyethylene and leading supplier of world-class polymers. The agreement runs from 1 January 2020 to 31 December 2025 and is expected to supply up to 15 petajoules of ethane per annum.

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. Santos is operator.

FY20 Highlights

Cooper Basin JV production, net to Beach, grew 8% in FY20.

Initial flow rates of 3-14 MMscfd from eight exploration wells drilled in South West Queensland targeting the Toolachee formation.

FY21 Focus

High grading drilling opportunities as we prioritise investment in wells with fastest payback.

Participation in the FEED work being carried out by the operator, Santos, to evaluate the opportunity for carbon capture and storage (CCS) in the Cooper Basin.

Cooper Basin JV production (MMboe)



¹ Refer to Reserves Statement for the year ended 30 June 2020 on pages 28 - 33 of this report for additional disclosures.

Victorian Otway Basin



FY20 production

3.6 MMboe

13% of Beach's total production

2P reserves¹

55.2 MMboe

Operations

Victorian Otway Basin operations accounted for 13% of Beach's FY20 production. Net Victorian Otway Basin production was 3.6 MMboe, 57% lower than FY19 due to reporting a 60% working interest for the full 12 months of FY20 in conjunction with natural field decline. On a gross basis, production from the Victorian Otway Basin was down 31%.

Development

During the year, the 7.2 km Black Watch 1 gas development well was drilled and connected to the Otway Gas Plant. This was the longest well drilled from an onshore location in Australia. It intersected the target Waarre C reservoir in-line with pre-drill expectations.

Exploration and Appraisal

A comprehensive interpretation project based on the super cube dataset covering all of the 3D seismic data in the Victorian Otway Basin was progressed in FY20. This super cube product was further enhanced using proprietary Beach processing techniques to deliver a best-in-class product. As a result, Beach is well underway with generating a new prospect and lead inventory that will leverage the results of the forth-coming exploration wells.

Beach is also planning for the commencement of the Enterprise 1 exploration well, which is to be drilled onshore targeting an offshore reservoir near Port Campbell.

Commercial

Beach and Origin commenced the agreed process to determine the new price for Victorian Otway gas sales under the existing Lattice GSA (i.e. excluding the GSA for the sale of gas from the 5% interest previously held by Toyota Tsusho). At the time of writing, the process was in the arbitration phase. Once resolved, the new price will be applied against gas sold by Beach to Origin from 1 July 2020 until 30 June 2023 after which a new market price will again be determined.

Description

Victorian Otway Basin (Beach 60% and operator, O.G. Energy 40%) includes producing license VIC/L1(v) which contains 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. The Victorian Otway Basin also includes non-producing nearshore VIC/P42(v) and offshore licenses VIC/P43 and VIC/P73 (Beach 60% and operator, O.G. Energy 40%) and T/30P (Beach 100% and operator). Gas from all producing fields is processed at the Otway Gas Plant.

FY20 Highlights

Completion, connection and commissioning of the Black Watch 1 extended reach gas development well.

Facility reliability high at 98%. Major turnaround deferred to FY21 saving downtime and cost.

Maturation of exploration opportunities in offshore acreage.

FY21 Focus

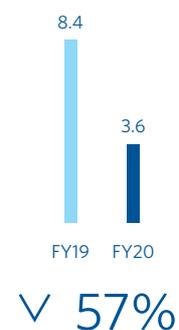
Drilling of Enterprise 1 onshore-to-offshore gas exploration well.

Commencement of offshore drilling campaign.

Execution of a safe and efficient facility shutdown.

Execution of an offshore wireline program on Thylacine.

Victorian Otway Basin production (MMboe)



¹ Refer to Reserves Statement for the year ended 30 June 2020 on pages 28 – 33 of this report for additional disclosures.

Operating Review

Perth Basin



Operations

Perth Basin operations accounted for 1% of Beach's FY20 production. Net Perth Basin production of 0.4 MMboe was 42% lower than the prior year due to the Xyris gas facility being shut in for the entirety of H2 FY20, lower customer nominations and the completion of the alignment transaction with MEPAU reducing Beach's working interest to 50% at Beharra Springs from November 2019.

Exploration and Appraisal

A new gas discovery was announced at Beharra Springs Deep 1 in the Kingia Sandstone, which is the main objective reservoir in the nearby Waitsia Field. Flow testing was undertaken in December² 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 was undertaken. The survey covered a 200 km² area to the south east of Beharra Springs. The survey data is now being processed.

Planning and preparations commenced for future Perth Basin exploration and appraisal activities.

Development

FID was taken and construction commenced on Waitsia Gas Project Stage 1 (Stage 1 expansion) which will see the capacity of the Xyris gas facility expanded from 10 TJ/day to 20 TJ/day. The facility was shut in on 1 January 2020 to allow construction activities to commence. The joint venture continued to progress the Waitsia Gas Project Stage 2 towards FID.

Long lead items and other engineering work was progressed for the future connection of the Beharra Springs Deep 1 gas well to the Beharra Springs gas facility. Beharra Springs Deep will produce from the Kingia Sandstone which sits deeper than the currently producing formations at Beharra Springs. First gas sales are expected to commence in Q3 FY21.

The Beharra Springs Deep 1 discovery will be hooked up to the existing facilities in FY21 bringing capacity up the to nameplate of 25 MMSCF/d and additional gas contracts have been secured to monetise the reserves.

Studies into re-lifing and expansion were kicked off and concept select will be carried out in FY21 to identify the optimal development pathway for these material new reserves.

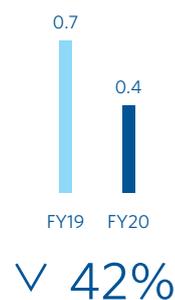
FY20 Highlights

- Gas discovery in the Kingia Sandstone at Beharra Springs Deep 1 exploration well. Initial 2P reserves booking of 29 MMboe.
- Construction of Waitsia Stage 1 expansion commenced.
- Trieste 3D seismic survey undertaken.

FY21 Focus

- Progress to FID of Waitsia Gas Project Stage 2.
- Completion of Waitsia Stage 1 expansion.
- First gas sales from Beharra Springs Deep Field.
- Progress Perth Basin exploration and appraisal plans.

Perth Basin production (MMboe)



¹ Refer to Reserves Statement for the year ended 30 June 2020 on pages 28 - 33 of this report for additional disclosures.

² Refer to ASX Announcement #44 dated 16 December 2019.


 3. Jay Golley, Production Superintendent WA

Beharra Springs, Western Australia

Commercial

Beach and MEPAU completed the alignment of participating interests on 29 November 2019, resulting in the two entities moving to a 50% interest in Beach-operated production licences L11 and L22, exploration permit EP 320 and pipeline licence PL18. MEPAU and Beach each hold a 50% interest across all joint Perth Basin interests. MEPAU remains operator of licences L1 and L2, containing the Waitsia gas field.

Beach, together with MEPAU, signed a gas sales agreement with Alinta Energy for the supply of up to 20 TJ/day of gas from the Waitsia Field due to commence deliveries in first half of FY21 for a duration of 4.5 years.

In addition, Beach, together with MEPAU, signed gas sales agreements with Alinta Energy for supply of gas from Beharra Springs Deep. The agreement is for supply of 10 TJ/d over a period of up to two years. First gas sales are expected to commence in Q3 FY21.

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. Other license and permit areas include EP 320 where Beach undertook the Trieste 3D seismic survey.

Operating Review

BassGas



FY20 production

1.4 MMboe

5% of Beach's total production

2P reserves¹

18.8 MMboe

Operations

BassGas accounted for 5% of Beach's FY20 production. BassGas production was 1.4 MMboe, down 19% over FY19 due to natural field decline and lower market demand early in the year, offset by facility reliability and increased productivity after a wireline campaign.

Development

"Concept select" activities continued on the proposed Trefoil gas field development. An engineering review of the development concepts and costs was also carried out, evaluating well head jacket and subsea options. Subject to JV approval, the preferred concept will be taken forward to the "Define Phase" incorporating FEED, with FID currently targeted in FY22.

Exploration and Appraisal

Full re-evaluation of the discovered resources at Rockhopper, Bass and White Ibis was undertaken with the results over White Ibis and Bass being used in the design and planning of a 3D seismic survey covering those fields.

Commercial

A new GSA was executed with Alinta Energy in FY20. Beach's share of gas production from the BassGas Project is now fully contracted for calendar years 2020 and 2021.

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.

FY20 Highlights

Successful wireline works undertaken on the producing Yolla gas fields.

Higher facility reliability achieved at BassGas.

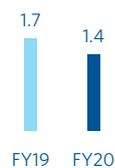
Trefoil development project progressing through "Concept Select" stage.

FY21 Focus

Reach FEED on Trefoil development project.

Planning for seismic surveys covering Bass and White Ibis undeveloped gas fields.

BassGas production (MMboe)



✓ 19%

¹ Refer to Reserves Statement for the year ended 30 June 2020 on pages 28 - 33 of this report for additional disclosures.

New Zealand - Kupe



FY20 production

2.8 MMboe

10% of Beach's total production

2P reserves¹

29.5 MMboe

Operations

New Zealand operations accounted for 10% of Beach's FY20 production. Net New Zealand production in FY20 was 2.8 MMboe, down 11% over FY19 with the 30-day planned shutdown and natural field decline offsetting strong customer demand and high facility reliability. A well intervention campaign was undertaken during the summer which resulted in improved production volumes prior to the onshore compression project coming on line, expected by the end of FY21.

Development, Exploration and Appraisal

The priority focus for FY20 was taking FID and commencing construction of the Kupe compression project. The project is being undertaken to extend the field production plateau and ultimately field life.

Alongside the delivery of the onshore compression project at the Kupe production station, subsurface work was undertaken in support of the wireline intervention program in the Kupe Field. This saw the field remapped which has resulted in a 2P reserves uplift and much better definition of the field structure to support in-fill drilling locations. Near field exploration prospects were also progressed.

Description

New Zealand operations comprises 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.

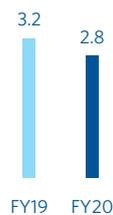
FY20 Highlights

- Construction commenced on the Kupe compression project.
- Facility reliability of 99% achieved at Kupe.
- 30-day shutdown turnaround undertaken successfully at the Kupe production station.

FY21 Focus

- Completion of the compression project.
- Maintaining high facility reliability.
- Evaluation of near field exploration opportunities and potential for another Kupe development well.

New Zealand production (MMboe)



∨ 11%

¹ Refer to Reserves Statement for the year ended 30 June 2020 on pages 28 - 33 of this report for additional disclosures.

Operating Review

SA Otway Basin



FY20 production

0.2 MMboe

1% of Beach's total production

2P reserves¹

0.7 MMboe

Operations and Development

The SA Otway Basin is Beach's newest production facility, achieved with completion and commissioning of the new 10 TJ/day Katnook Gas Processing Facility in February 2020. This facility was constructed with the assistance of a Commonwealth Government GAP grant.

SA Otway gas operations accounted for 1% of Beach's FY20 production.

Exploration and Appraisal

Exploration and appraisal saw both a new discovery at the Dombey gas field and further appraisal of the Haselgrove Field.

Gas appraisal well Haselgrove 4 was drilled in PPL 62 (Beach 100%). After mechanical issues with the Haselgrove 4 well, the rig returned to the site in the second half of FY20 to sidetrack the well. The flow test of Haselgrove 4 DW1 supports future tie back and connection of the well to the Katnook gas processing facility.

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 in the first half of FY20. The joint venture is planning 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.

Commercial

During the year, a volume-based GSA was signed with Origin for supply of gas from the Katnook gas processing facility in 2020 and into 2021.

Description

SA Otway gas producing area is PPL 62 (Beach 100%). Other licences include PEL 494 (Beach 70% and operator, Cooper Energy 30%) which contains the Dombey gas field.

FY20 Highlights

First gas achieved from the new 10 TJ/day Katnook Gas Processing Facility.

Gas discovery at the Dombey gas field.

Success in the Haselgrove gas appraisal campaign, with Haselgrove 4 DW1 being completed as a future production well.

FY21 Focus

Tie-back and connection of Haselgrove 4 DW1 to the Katnook gas processing facility.

Progress planning for 3D seismic survey over Dombey gas field and surrounding area.

Beach's newest production facility.

¹ Refer to Reserves Statement for the year ended 30 June 2020 on pages 28 - 33 of this report for additional disclosures.

Frontier Exploration

Carnarvon Basin

Progress was made in the Carnarvon Basin, offshore Western Australia where the WA-349-P joint venture (BP 42.5% and operator, Cue 21.5%, Beach 21% and NZOG 15%), continued to progress the Ironbark gas exploration prospect for drilling. The Ocean Apex rig was contracted and other long lead items ordered. The joint venture continues to finalise plans ahead of drilling the well, currently planned for the fourth quarter of calendar year 2020.

Bonaparte Basin

Beach and Santos continued to progress drill-ready targets across the four Bonaparte Basin exploration blocks (Santos 50% and operator, Beach 50%). Activities included interpretation of the new Bethany 3D seismic survey for the two northern permits, geological and geophysical studies and updating of the prospects and leads inventory across the portfolio.

Canterbury Basin

During FY20, the farm out transaction was completed in relation to PEP38264 (Beach 37.5% and operator, O.G. Energy 37.5% and Discover Exploration 25%) in the Canterbury Basin, New Zealand which contains the Wherry and Gondola gas prospects. The joint venture made further progress to advance the Wherry prospect to drill-ready status, with the final well location being agreed and approvals being progressed with the New Zealand regulators. Significant progress was also made on well design, subsurface mapping and community engagement activities.

Great South Basin

During FY20, Beach acquired a 30% interest in exploration permit PEP50119 (OMV 52.93% and operator, Beach 30%, MEPAU 17.07%) in the Great South Basin, offshore New Zealand, which contained the Tawhaki exploration prospect. Exploration well Tawhaki 1 was drilled in the third quarter of FY20. Data obtained during the drilling phase indicated no hydrocarbons were present in the target reservoir. The well was plugged and abandoned.



Mount Taranaki overlooking our Kupe production facility, New Zealand

Reserves Statement

Net to Beach at 30 June 2020

Beach ended FY20 with 2P oil and gas reserves of 352 MMboe

Proved plus probable (2P) reserves increased by 26 MMboe to 352 MMboe at 30 June 2020, reflecting a 214% organic reserves replacement ratio.

A material reserves addition of 29 MMboe (2P) has been made due to the results of Beharra Springs Deep-1 in Western Australia. Western Flank oil and gas had total 2P revisions of 12 MMboe resulting from exploration and appraisal success, migration from 2C contingent resources to 2P reserves and reservoir performance.

Divestments of 2P reserves were made at La Bella (3.3 MMboe) and Beharra Springs (0.6 MMboe) due to the

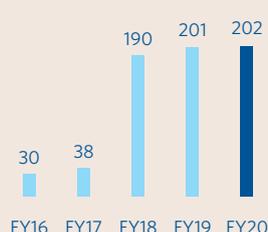
completion of farmdowns to OGOG and Mitsui as previewed in the FY19 annual report. This results in a 200% inorganic 2P reserves replacement ratio.

2C contingent resources reduced by 5 MMboe to 180 MMboe, with the majority of the change due to divestment of 18 MMboe from the Innamincka Dome offset by a 13 MMboe increase in the Cooper Basin due to inclusion of Moomba South.

Key metrics

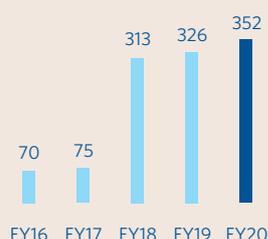
	Note	FY18 (MMboe)	FY19 (MMboe)	FY20 (MMboe)
Proved reserves (1P)		190	201	202
Proved plus probable reserves (2P)		313	326	352
Proved plus probable plus possible reserves (3P)		491	514	576
2C contingent resources		207	185	180
Organic 2P reserves replacement ratio	1	368%	204%	214%
Inorganic 2P reserves replacement ratio	2	938%	141%	200%
2P reserves life (years)	3	11.0	12.4	13.2

1P Reserves (MMboe)



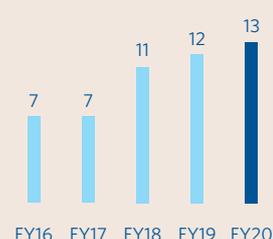
^ 1%

2P Reserves (MMboe)



^ 8%

2P Reserves Life (Years)



^ 6%

Proved reserves (1P)	Note	FY19	All products (MMboe)						FY20
			Prod.	Acquisitions/ divestments	Exploration/ Appraisal	Contingent Resources to Reserves	Other	Total Revisions	
Western Flank Oil	4	23	8	0	8	3	(2)	9	24
Western Flank Gas	5	10	2	0	0	0	1	1	8
Cooper Basin JV	6	46	9	0	2	1	4	7	45
Other Cooper Basin	7	0	0	0	0	(0)	0	0	0
Perth Basin	8, 9	50	0	(1)	6	0	0	6	55
Otway Basin	10, 11	40	4	(2)	0	0	1	(1)	35
Bass Basin	12	16	1	0	0	0	(1)	(1)	13
Taranaki Basin	13	16	3	0	0	(3)	11	8	22
Total		201	27	(3)	17	0	14	28	202

Proved reserves (1P)	Note	All products (MMboe)					Total (MMboe)	Developed	Undeveloped
		Gas (PJ)	LPG (kt)	Condensate (MMbbl)	Oil (MMbbl)				
Western Flank Oil	4	0	0	0	24	24	13	11	
Western Flank Gas	5	30	176	2	0	8	8	1	
Cooper Basin JV	6	200	423	3	4	45	41	4	
Other Cooper Basin	7	0	1	0	0	0	0	0	
Perth Basin	8, 9	321	0	0	0	55	18	37	
Otway Basin	10, 11	176	326	2	0	35	14	21	
Bass Basin	12	58	148	2	0	13	3	10	
Taranaki Basin	13	92	400	3	0	22	8	14	
Total		877	1,474	12	28	202	104	98	

Reserves Statement

All products (MMboe)

Proved plus probable reserves (2P)	Note	FY19	Prod.	Acquisitions/ divestments	Exploration/ Appraisal	Contingent Resources to Reserves	Other	Total Revisions	FY20
Western Flank Oil	4	42	8	0	12	4	(3)	12	46
Western Flank Gas	5	16	2	0	0	0	1	1	16
Cooper Basin JV	6	84	9	0	4	1	4	10	85
Other Cooper Basin	7	0	0	0	0	(0)	0	(0)	0
Perth Basin	8, 9	73	0	(1)	29	0	0	29	101
Otway Basin	10, 11	63	4	(3)	0	0	(0)	(3)	56
Bass Basin	12	20	1	0	0	0	0	0	19
Taranaki Basin	13	27	3	0	0	(6)	11	5	29
Total		326	27	(4)	45	(1)	14	54	352

All products (MMboe)

Proved plus probable reserves (2P)	Note	Gas (PJ)	LPG (kt)	Condensate (MMbbl)	Oil (MMbbl)	Total (MMboe)	Developed	Undeveloped
Western Flank Oil	4	0	0	0	46	46	26	20
Western Flank Gas	5	56	329	3	0	16	14	1
Cooper Basin JV	6	376	801	7	7	85	69	16
Other Cooper Basin	7	0	2	0	0	0	0	0
Perth Basin	8, 9	589	0	0	0	101	25	76
Otway Basin	10, 11	282	491	3	0	56	17	39
Bass Basin	12	85	218	3	0	19	4	14
Taranaki Basin	13	125	544	4	0	29	12	17
Total		1,513	2,385	20	53	352	167	185

All products (MMboe)											
2C contingent resources	Note	FY19	Acquisitions/ divestments	Cont to Res	Revisions	FY20	Gas (PJ)	LPG (kt)	Condensate (MMbbl)	Oil (MMbbl)	Total (MMboe)
Western Flank Oil	4	8	0	4	1	5	0	0	0	5	5
Western Flank Gas	5	1	0	0	0	1	4	32	0	0	1
Cooper Basin JV	6	50	0	1	11	60	259	231	2	11	60
Other Cooper Basin	14, 15	18	(18)	(0)	0	0	1	3	0	0	0
Perth Basin	8, 9	39	(1)	0	0	39	225	0	0	0	39
Otway Basin	10	16	0	0	3	19	104	94	0	0	19
Bass Basin	12	5	0	0	(0)	5	15	71	2	0	5
Taranaki Basin	13	4	0	(6)	(4)	6	19	80	1	0	6
Bonaparte Basin	16	23	0	0	0	23	128	0	1	0	23
Total Conventional 2C Contingent Resources		164	(18)	(1)	11	157	755	511	6	17	157
Cooper Basin JV (Unconventional)		21	0	0	2	23	104	228	3	0	23
Total 2C Contingent Resources		185	(18)	(1)	12	180	858	739	10	17	180

Notes

- FY20 organic 2P reserves replacement ratio calculated as 2P reserves additions, excluding acquisitions and divestments, of 57 MMboe divided by FY20 reported production of 26.7 MMboe.
- FY20 inorganic 2P reserves replacement ratio calculated as 2P reserves additions of 54 MMboe divided by FY20 reported production of 26.7 MMboe.
- FY20 2P reserves life calculated as 352 MMboe 2P reserves, divided by FY20 production of 26.7 MMboe.
- Western Flank Oil comprises ex PEL 91 (Beach 100%), ex PEL 92 (Beach 75%) and ex PEL 104/111 (Beach 40%). 1P reserves at 30 June 2020 are split 77% ex PEL 91, 16% ex PEL 92, 7% ex PEL104/111. 2P reserves at 30 June 2020 are split 77% ex PEL 91, 17% ex PEL 92, 6% ex PEL104/111. Probabilistic and deterministic methodologies are used.
- Western Flank Gas comprises ex PEL 106 (Beach 100%), PRL 26 (Beach 100%) and the Mokami Field in ex PEL 91 (Beach 100%). 1P reserves at 30 June 2020 are split 97% ex PEL 106, 3% PRL 26, 0% ex PEL91. 2P reserves at 30 June 2020 are split 98% ex PEL 106, 2% PRL 26, 0% ex PEL91. Probabilistic and deterministic methodologies are used.
- The Cooper Basin JV comprises the South Australian Cooper Basin joint ventures where Beach equity interests are 27.68% and 33.40%, the South West Queensland joint ventures where Beach equity interests range from 20.76% to 45.00% and Tintaburra JV where Beach equity interest is 40%. Deterministic methodology is used.
- Other Cooper Basin includes ex PEL 513/632 (SWJV) (Beach 40%) and PRL 135 (Vanessa) (Beach 43%). Deterministic methodology is used.
- Perth Basin comprises Waitsia (Beach 50%) and Beharra Springs (Beach 50%). Probabilistic and deterministic methodologies are used.
- Beharra Springs farmdown from 67% to 50% completed 29 November 2019. Refer announcement within Quarterly Report released 29 Jan 2020.
- Otway Basin comprises Thylacine and Geographe (Beach 60%), Halladale, Black Watch and Speculant (HBWS)(Beach 60%), LaBella (Beach 100% FY19, Divested to 60% FY20) and Hazelgrove (Beach 100%). 1P reserves at 30 June 2020 are split 81% Thylacine and Geographe, 7% HBWS, 10% LaBella, 1% Hazelgrove. 2P reserves at 30 June 2020 are split 84% Thylacine and Geographe, 6% HBWS, 9% LaBella, 1% Hazelgrove. Probabilistic and deterministic methodologies are used.
- LaBella farmdown from 100% to 60% completed (refer ASX announcement #016/19, 31 May 2020).
- Bass Basin comprises BassGas producing permits (Beach 53.75%) and BassGas retention licences (Beach 50.25%). Probabilistic and deterministic methodologies are used.
- Taranaki Basin comprises Kupe Gas Project (Beach 50%). Deterministic methodologies are used.
- Other Cooper Basin includes ex PEL 513/632 (SWJV) (Beach 40%), PRL 135 (Vanessa) (Beach 43%) and PRL14/18 (Flax), PRL18 (Juniper), PRL 17 (Yarrow)(FY19 100%, Divested FY20).
- Divestment of 100% of PRL14/18 (Flax), PRL18 (Juniper), PRL 17 (Yarrow) completed.
- Bonaparte Basin comprises NT/RL 1 (Petrel) (Beach 5.75%).

Reserves Statement

Notes to the Reserves Statement

Beach's reserves are prepared in accordance with the 2018 update to the Petroleum Resources Management System (PRMS) by, or under the supervision of Qualified Petroleum Reserve and Resource Evaluators (QPREE).

The reserves statement presents estimates of petroleum reserves and contingent resources as at 30 June 2020 and unless noted represents Beach's net share. The estimates contained in the reserves statement are based on, and fairly represents, the supporting information and documentation prepared by Beach staff who are either QPREEs or under the supervision of the named QPREEs. Beach's QPREEs who have prepared or supervised the preparation of the reserves estimates reported within this statement are Mark Pitkin, Mark Sales, Trevor Wadham and David Capon, all employed by Beach Energy Ltd and members of the SPE.

The reserves statement as a whole is approved by Mr David Capon (General Manager - Offshore Victoria and New Zealand). Mr Capon is a full time employee of Beach and a member of the SPE; he has a Bachelor of Science (Honours) from the University of Adelaide and in excess of 25 years of relevant experience. The reserves

statement has been issued with the prior written consent of Mr Capon as to the form and context in which the estimates and information are presented.

Beach prepares its reserve and resource estimates annually in line with the Beach reserves policy. The policy lays out the external auditing requirements for reserves estimates. The policy is overseen by the Beach Reserves Committee.

Beach's reserve estimates are prepared using deterministic and probabilistic methods as appropriate with the methodology used approved by the relevant QPREE for the asset. An independent audit of Beach's reserves as at 30 June 2020 was conducted by RISC Advisory Pty Ltd (RISC). The audit report states "It is RISC's opinion that, in aggregate, Beach's reserves estimates are reasonable and have been prepared in accordance with the definitions and guidelines contained within the Petroleum Resources Management System (PRMS 2018) and generally accepted petroleum engineering and evaluation principles." The audit covered 75% of the 2P reserves in line with the Beach reserves policy which requires at least 50% of 2P reserves to be audited. The audit included 91% of developed reserves and 60% of undeveloped reserves.

Contingent resource estimates have not been audited. Beach has categorised the contingent resource estimates in line with the 2018 update to the PRMS.

Conversion factors used to evaluate oil equivalent quantities are sales gas and ethane 171.94 kboe per PJ, LPG 8.458 kboe per kT, condensate: 0.935 kboe per kbbl and oil 1 kboe per kbbl. Beach's reserves are stated net of fuel, flare and vent at reference points defined for each asset. The reference point is typically the point at which production operations cease and products are transferred to the customer.

Estimates of reserves and resources have been aggregated by arithmetic summation at the different category levels, consequently 1P summations may be conservative due to the portfolio effects of arithmetic summation.



Material Reserves Change

Beach advises of a material reserves change due to the booking of volumes in the Beharra Springs Project, following the successful drilling of Beharra Springs Deep-1 in production licence L11 approximately 300 kilometres north of Perth. Beach is the Operator of the Project with a 50% working interest. The other JV party is Mitsui.

Beach has booked 29 MMboe of 2P reserves for Beharra Springs (9 MMboe developed and 20 MMboe undeveloped). Gas flowed from Beharra Springs Deep-1 at rates up to 46 MMscf/d constrained by tubing dimensions. Results of the well have been previously announced in ASX releases 044/19 and 037/19 on 16 December 2019 and 28 October 2019 respectively).

The reserves from the Beharra Springs Deep field are able to be processed through the existing Beharra Springs gas processing facilities which are connected to the WA domestic gas market. Beharra Springs Deep-1 is expected to be connected to the

existing Beharra Springs gas processing facility in Q3 FY21 with initial production of up to 20 TJ/day expected following the connection. Beach previously announced in ASX release 021/20 on 22 July 2020 that together with MEPAU it has signed a GSA with Alinta Energy for supply of gas from the Beharra Springs Project, including gas from Beharra Springs Deep-1. The agreement is for the supply of 10 TJ/d over a period of up to two (2) years. First gas sales are expected to commence in Q3 FY21. Additional gas sales agreements are in advanced stages of negotiation.

The timing of future development drilling will depend on market demand and rate of reservoir depletion. The future wells are economic at reasonable estimates of costs and product sale prices. Planned appraisal drilling could lead to a decision to expand or build new gas processing facilities.

Geologic models of the field have been built and used in conjunction with probabilistic estimates to determine OGIP for the field. Reserves estimates were generated using a combination of material balance methods and analogue estimates.

Material Contingent Resources Change

Beach has divested 100% of its contingent resources in the Innamincka Dome region in the Cooper Basin to Red Sky. This divestment of 17.7 MMboe 2C contingent resource was previewed in Beach's FY19 annual report.

Beharra Springs Kingia net reserves at 30 June 2020

Classification	Gas (PJ)	LPG (kTonnes)	Condensate (MMbbls)	Total (MMboe)
1P	35	-	-	6.1
2P	169	-	-	29.1

Sustainability

Climate change

Beach recognises that climate change is one of the global challenges of this century. As a member of the energy industry we have a role to play in managing carbon emissions.

We believe that a variety of energy sources are required to meet global energy demand. We also support global efforts to reduce climate change through the implementation of clear and stable climate change policies and market mechanisms.

In FY19 we finished the development of an emissions reduction strategy and identified several projects to help reduce greenhouse gas emissions from our operations. This work has enabled Beach to set itself an emissions reduction target.

Beach's emissions reduction target

25% reduction in emissions by FY25¹.

Our climate change policy commitment

Beach Energy is committed to:

- Identifying, managing and mitigating material climate risks to business;
- Measuring and reporting carbon emissions as required by the regulatory requirements of the regions we operate in;
- Ensuring that our practices and procedures align and integrate climate risks into project decision-making;
- Where economically practicable, integrate low emissions technologies in our operations, and identify opportunities for carbon emission reduction;
- Evaluating the resilience of our portfolio and investment decisions to potential changes in global climate policy and changes in climate; and
- Setting targets to encourage innovation and drive reductions in our carbon emissions as well as modelling an internal carbon price to help guide our business decisions.

Other Environmental Highlights:

- Offset 8557.56 SEB points (equivalent to offsetting 1,150 ha of land). The points were purchased through Gidgealpa Station SEB offset project.
- NZ operations recognised for high environmental performance by Taranaki Council.

Our community

Beach's emphasis is to become a trusted, respected and accepted member of the communities in which we operate. We do this by demonstrating to local communities the Beach values, our commitment to safe operations, respect for each other, the communities and environment.

Community partnerships

Beach announced several key community partnerships in FY20, including:

- Supporting the Rotokare Scenic Reserve Trust's Kiwi release program and bush classroom concept in NZ, which includes the addition of six outdoor learning stations to boost educational capacity for more than 2,000 students learning about conservation and the environment.
- Supporting Zoos South Australia and its Southern White Rhinos conservation program at Monarto Safari Park.
- Supporting the South Australian Health and Medical Research Institute's (SAHMRI) Science, Technology, Engineering and Mathematics (STEM) Pathways Program for Aboriginal and Torres Strait Islanders to develop skills, training and experiences within the health and medical research sector.
- A Workplace Giving program was launched to match charitable donations made by our people.

We support global efforts to reduce climate change through the implementation of clear and stable climate change policies and market mechanisms.

Other highlights:

- Beach's purpose revised from 'To deliver sustainable growth in shareholder value' to 'Sustainably deliver energy for communities'.
- Released a tax transparency report for the first time.
- Taxation Policy developed and available on the company website.
- Modern Slavery risk assessment for inclusion in the corporate risk register. Modern Slavery contractual provisions are now included in new goods and services contracts.
- A \$250,000 contribution to Greening Australia in support of a long-term native seed and plant supply program to kick start landscape restoration in areas destroyed by the bushfires.
- Additional contribution to the South Australian State Emergency Relief Fund, Kangaroo Island Mayoral Relief Fund, Victorian State Bushfire Appeal and Zoos Victoria Bushfire Wildlife Emergency Fund to provide additional funding and support for bushfire impacted communities.

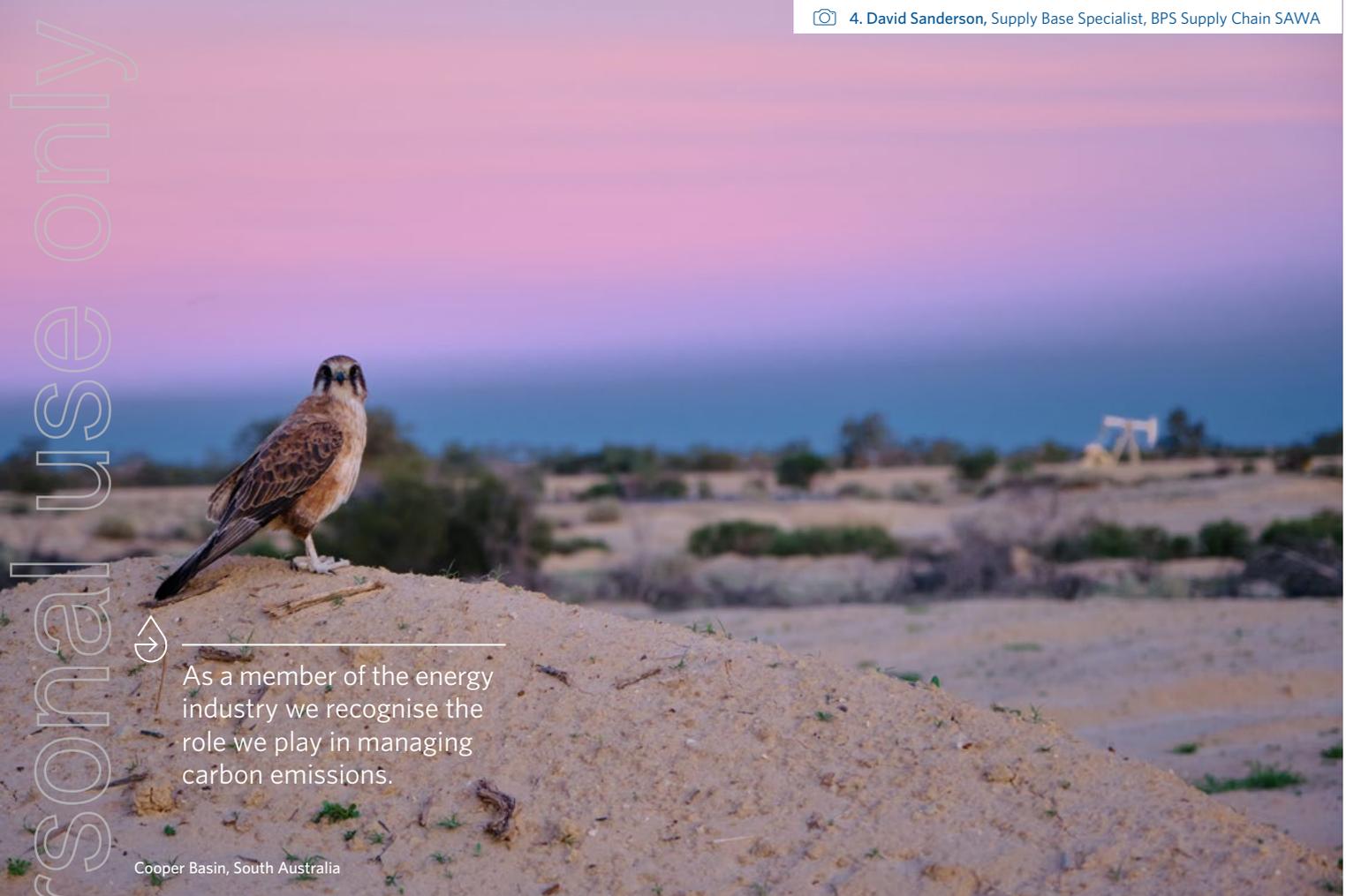
Reduction in emissions by FY25¹

√ 25%

¹ Measured from when Beach acquired its Lattice assets in 2018.

4. David Sanderson, Supply Base Specialist, BPS Supply Chain SAWA

For personal use only



As a member of the energy industry we recognise the role we play in managing carbon emissions.

Cooper Basin, South Australia

People and Culture

Our people continue to be Beach's greatest asset. The adaptability shown by the team this year has been commendable, whether that be at our sites or in our offices, and all done whilst living our Values. The Beach team understood the need for some of our work practices to change, and did so safely and swiftly and whilst continuing to deliver on our work program.

Beach is also pleased that we continued to improve our focus on Gender Diversity, with over 30% of new recruits being female and 64% of the graduate intake also being female. Some key highlights from FY20 below:

Employee Engagement

The 2020 Employee Engagement and Enablement Survey resulted in significant improvements across all areas at Beach. Of note was the recognition by our

employees that Beach demonstrates a clear vision and future to our people, Beach demonstrates care and concern, and our leaders provide ongoing leadership and coaching on the job to support employees in their role and build their career at Beach.

Competency and Career Development

Beach continues to build technical excellence by embedding a globally benchmarked Technical Competency Framework with supporting training and development opportunities for its technical community. Throughout FY21 the competency frameworks will be expanded further to include all leadership roles and incorporate the Beach Leadership expectations. In addition, Beach has launched 534 e-learning and webinar modules since February, across technical, leadership and personal development areas to support out employees develop in a self-paced manner.

Wellbeing and Resilience

Beach has long maintained a focus on workforce wellbeing and resilience, however, with the COVID-19 situation unfolding in 2020 the level of support to our workforce increased significantly.

Modules were developed in-house to support remote working, leading virtual teams, managing personal anxiety and staying both physically and mentally healthy during uncertain times. This increased level of support will continue throughout the FY21 year.

For more information:

See the 2020 Beach Energy Sustainability Report, to be released later this year.

Board of Directors

1.



2.



1. Glenn Davis

Independent Non-Executive Chairman
LLB, BEc, FAICD

Mr Davis has practiced as a solicitor in corporate and risk throughout Australia for over 30 years initially in a national firm and then a firm he founded. He has expertise and experience in the execution of large transactions, risk management and in corporate activity regulated by the Corporations Act and ASX Limited. Mr Davis has worked in the oil and gas industry as an advisor and director for over 25 years.

Mr Davis's special responsibilities include membership of the Remuneration and Nomination Committee. Mr Davis joined Beach on 6 July 2007 as a non-executive director. He was appointed non-executive Deputy Chairman in June 2009 and Chairman in November 2012. He was last re-elected to the Board on 23 November 2018.

2. Matthew Kay

Managing Director & Chief Executive Officer
BEc, MBA, FCPA, GAICD

Mr Kay joined Beach in May 2016 as Chief Executive Officer and was appointed to the Board as Managing Director in February 2019. In November 2018, he was elected to the Australian Petroleum Production & Exploration Association (APPEA) Board.

Mr Kay brings over 25 years' experience in the Oil and Gas industry to Beach. Before joining Beach, he served as Executive General Manager, Strategy and Commercial at Oil Search, a position he held for two years. In that role he was a member of the Executive team and led the strategy, commercial, supply chain, economics, marketing, M&A and legal functions.

Prior to Oil Search, Mr Kay spent 12 years with Woodside Energy in various leadership roles, including Vice President of Corporate Development, General Manager of Production Planning and General Manager of Commercial for Middle East and Africa. In these roles Mr Kay developed extensive leadership skills across LNG, pipeline gas and oil joint ventures, and developments in Australia and internationally.

Since joining Beach, Mr Kay has approximately tripled the company's production, reserves and market capitalisation having successfully led the company through the transformational acquisition of Lattice Energy. This has seen Beach enter the ASX 100 and solidify its position there.

In addition to his role as Managing Director of Beach Energy, Mr Kay is currently a Director at the Australian Petroleum Production and Exploration Association (APPEA).

Mr Kay was appointed to the Board on 25 February 2019 and formally elected to the Board on 26 November 2019.

3. Colin Beckett AO

Independent Non-Executive Deputy Chairman

Mr Beckett is an experienced non-executive director and previously held senior executive positions in Australia with Chevron, Mobil, and BP. His experience in engineering design, project management, commercial negotiations and gas marketing provides him with a diverse and complementary set of skills relevant to the oil and gas industry.

Mr Beckett read engineering at Cambridge University and has a Master of Arts. He was awarded an honorary doctorate from Curtin University in 2019. He was previously a fellow of the Australian Institute of Engineers. He is a graduate member of the Institute of Company Directors.

He is currently Chair of Western Power and was the Chancellor of Curtin University until end 2018. He is a past Chairman of both Perth Airport Pty Ltd and the Australian Petroleum Production and Exploration Association (APPEA). Mr Beckett's special responsibilities include chairmanship of the Remuneration and Nomination Committee and membership of the Risk, Corporate Governance and Sustainability Committee. He was appointed to the Board on 2 April 2015, last having been re-elected to the Board on 26 November 2019.

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4. Philip Bainbridge

Independent Non-Executive Director
BSc (Hons) Mechanical Engineering,
MAICD

Mr Bainbridge has extensive industry experience having worked for the BP Group for 23 years in a range of petroleum engineering, development, commercial and senior management roles in the UK, Australia and USA. From 2006, he has worked at Oil Search, initially as Chief Operating Officer, then Executive General Manager LNG, responsible for all aspects of Oil Search's interests in the \$19 billion PNG LNG project, then EGM Growth responsible for gas growth and exploration.

He is currently the non-executive chairman of the PNG Sustainable Development Program and a non-executive director of the Global Institute of Carbon Capture and Storage. He was formerly the non-executive chairman of Sino Gas and Energy Holdings until 2018 and a non-executive director of Drillsearch Energy Limited from 2013 to 2016.

Mr Bainbridge's special responsibilities include chairmanship of the Risk, Corporate Governance and Sustainability Committee. He was appointed by the Board on 1 March 2016, last having been re-elected to the Board on 26 November 2019.

5. Joycelyn Morton

Independent Non-Executive Director
BEc, FCA, FCPA, FIPA, FCIS, FAICD

Ms Morton has extensive experience in finance and taxation having begun her career with Coopers & Lybrand (now PwC), followed by senior management roles with Woolworths Limited and global leadership roles in Australia and internationally within the Shell Group of companies.

Ms Morton was National President of both CPA Australia and Professions Australia, has served on many committees and councils in the private, government and not-for-profit sectors and held international advisory positions. She holds a Bachelor of Economics degree from the University of Sydney.

Her other current ASX listed board positions are Argo Investments Limited and Argo Global Listed Infrastructure Limited. She is also a non-executive director of ASC Pty Ltd and Snowy Hydro Limited. She has valuable board experience across a range of industries, including previous roles as a non-executive director and Chair of both Thorn Group Limited and Noni B Limited and a non-executive director of Crane Group Limited, Count Financial Limited and InvoCare Limited.

Ms Morton's special responsibilities include membership of the Audit Committee. She was appointed a non-executive director of Beach Energy Limited on 21 February 2018 and then elected to the Board on 23 November 2018.

6. Ryan Stokes AO

Non-Executive Director
BComm FAIM

Mr Stokes is the Managing Director and Chief Executive Officer of Seven Group Holdings Limited (SGH). SGH is a listed diverse investment company involved in Industrial Services, Media, and Energy. SGH interests include 28.52% of Beach Energy, WesTrac, Coates Hire and 41% of Seven West Media Limited. Mr Stokes is a director of WesTrac, Chairman of Coates Hire, and a director of Seven West Media.

Mr Stokes is Chief Executive Officer of Australian Capital Equity Pty Limited (ACE). ACE is a private company with its primary investment being an interest in SGH. Mr Stokes is Chairman of the National Gallery of Australia and is an Officer of the Order of Australia. He is also a member of the International Olympic Committee Education Commission.

His previous roles include Chairman of the National Library of Australia, member of the Prime Ministerial Advisory Council on Veterans' Mental Health, Founding Chair Headspace, Youth Mental Health Foundation.

Mr Stokes is a member of the Remuneration and Nomination Committee. He was appointed by the Board on 20 July 2016, last having been re-elected to the Board on 23 November 2018.

7. Richard Richards

Non-Executive Director
BComs/Law (Hons), LLM, MAppFin, CA,
Admitted Solicitor

Mr Richards is currently Chief Financial Officer of Seven Group Holdings Limited (SGH) (since October 2013). He is responsible for Finance across the diversified conglomerate (equipment manufacture, sales and service, equipment hire, investments, property, media and oil and gas). Mr Richards is a member of the Board of Directors of WesTrac, SGH Energy, is a Director and Chair of the Audit and Risk Committee of Coates Hire Pty Limited, a Director and member of KU Children Services (NFP) and a member of the Marcia Burgess Foundation Committee (DGR). He had held senior finance roles with Downer EDI, the Lowy Family Group and Qantas.

Mr Richards is both a Chartered Accountant and admitted solicitor with over 30 years experience in business and complex financial structures, corporate governance, risk management and audit.

Mr Richards' special responsibilities include membership of the Audit Committee. He was appointed to the Board on 4 February 2017 and then elected to the Board on 23 November 2017.

8. Dr Peter Moore

Independent Non-Executive Director
PhD, BSc (Hons), MBA, GAICD

Dr Moore has over 40 years of oil and gas industry experience. His career commenced at the Geological Survey of Western Australia, with subsequent appointments at Delhi Petroleum Pty Ltd, Esso Australia, ExxonMobil and Woodside. Dr Moore joined Woodside as Geological Manager in 1998 and progressed through the roles of Head of Evaluation, Exploration Manager Gulf of Mexico, Manager Geoscience Technology Organisation and Vice President Exploration Australia. From 2009 to 2013, Dr Moore led Woodside's global exploration efforts as Executive Vice President Exploration. In this capacity, he was a member of Woodside's Executive Committee and Opportunities Management Committee, a leader of its Crisis Management Team, Head of the Geoscience function and a director of ten subsidiary companies. From 2014 to 2018, Dr Moore was a Professor and Executive Director of Strategic Engagement at Curtin University's Business School. He has his own consulting company, Norris Strategic Investments Pty Ltd. Dr Moore is currently a non-executive director of Carnarvon Petroleum Ltd (since 2015).

Dr Moore's special responsibilities include membership of the Risk, Corporate Governance and Sustainability Committee and the Remuneration and Nomination Committee. Dr Moore was appointed by the Board on 1 July 2017 and last re-elected to the Board on 26 November 2019.

9. Sally-Anne Layman

Independent Non-Executive Director
B Eng (Mining) Hon, B Com

Ms Layman is a company director with diverse international experience in the resources sector and financial markets, including 14 years with Macquarie Group where she was a division director and Joint Head of the Perth Office for the Metals, Mining & Agriculture Division.

Prior to moving into finance, Ms Layman undertook various roles with resource companies including Mount Isa Mines, Great Central Mines and Normandy Yandal. Ms Layman holds a WA First Class Mine Manager's Certificate of Competency.

Ms Layman is also a Non-Executive Director of Perseus Mining Ltd, Imdex Ltd and Pilbara Minerals Ltd.

Ms Layman is a Certified Practising Accountant, and is a member of the Australian Institute of Company Directors.

Ms Layman's special responsibilities include chair of the Audit Committee. She was appointed to the Board on 25 February 2019 and formally elected to the Board on 26 November 2019.

Full Financial Report

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Directors' Report

For the year ended 30 June 2020

Your directors present their report for Beach Energy Limited (Beach or Company) on the consolidated accounts for the financial year ended 30 June 2020. Beach is a company limited by shares that is incorporated and domiciled in Australia.

The directors of the Company during the year ended 30 June 2020 and up to the date of this report are:

Surname	Other Names	Position
Davis	Glenn Stuart	Independent non-executive Chairman
Beckett	Colin David	Independent non-executive Deputy Chairman
Bainbridge	Philip James	Independent non-executive director
Kay	Matthew Vincent	Managing director
Layman	Sally-Anne Georgina	Independent non-executive director
Moore	Peter Stanley	Independent non-executive director
Morton	Joycelyn Cheryl	Independent non-executive director
Richards	Richard Joseph	Non-executive director
Stokes	Ryan Kerry	Non-executive director

Directors Interests in shares, options and rights

The relevant interest of each director in the ordinary share capital of Beach at the date of this report is:

Shares held in Beach Energy Limited

Name	Shares	Rights
G S Davis	243,226 ⁽²⁾	-
C D Beckett	81,694 ⁽¹⁾	-
P J Bainbridge	118,090 ⁽²⁾	-
M V Kay	3,918,255 ⁽¹⁾	2,310,543 ⁽¹⁾
S G Layman	-	-
P S Moore	44,200 ⁽²⁾	-
J C Morton	50,000 ⁽¹⁾⁽²⁾	-
R J Richards ⁽³⁾	188,053 ⁽²⁾	-
R K Stokes ⁽³⁾	-	-

(1) Held directly.

(2) Held by entities in which a relevant interest is held.

(3) Mr Stokes does not hold a relevant interest in Beach shares but he was nominated as a director by Beach's largest shareholder Seven Group Holdings Limited (SGH) and related corporations who collectively have a relevant interest in 28.52% of Beach shares. He is Managing Director and Chief Executive Officer of SGH. Mr Richards was also nominated as a director by SGH. He is the Chief Financial Officer of SGH.

Details of the qualifications, experience, special responsibilities and meeting attendance of each of the directors are set out later in the Directors' Report.

Principal activities

Beach Energy is an ASX listed, oil and gas, exploration and production company headquartered in Adelaide, South Australia. It has operated and non-operated, onshore and offshore, oil and gas production from five producing basins across Australia and New Zealand and is a key supplier to the Australian east coast gas market. Beach's asset portfolio includes ownership interests in strategic oil and gas infrastructure, such as the Moomba processing facility and Otway Gas Plant, as well as a suite of high potential exploration prospects. Beach is focused on maintaining the highest health, safety and environmental standards.

Operating and Financial Review

A review of operations of Beach Energy during the financial year are set out on pages 13 to 27.

Financial results from FY20 are summarised below:

- Group profit attributable to equity holders of Beach was \$500.8 million (FY19 \$577.3 million).
- Sales revenue was down 14% from FY19 to \$1,650.3 million due to lower oil and liquids prices attributed to the impact of COVID-19 as well as a 40% reduction in Victorian Otway working interest to 60% through FY20 as a result of the farm-down to O.G Energy completed in H2 FY19 (FY19 100% to 31 May 2019).
- Cost of sales were down 12% from FY19 to \$1,056.7 million, mainly as a result of the Victorian Otway farm-down as well as lower third party purchases, royalties and inventory movements, partly offset by higher tariffs and tolls.
- A net profit after tax of \$500.8 million was reported reflecting a solid underlying operating performance despite the impact of lower oil and liquids prices attributed to the impact of COVID-19.

Key Results

		2020	2019	Change
Operations				
Production	MMboe	26.7	29.4	(9%)
Sales	MMboe	27.7	31.2	(11%)
Capital expenditure	\$m	(863.0)	(447.0)	(93%)
Income				
Sales revenue	\$m	1,650.3	1,925.4	(14%)
Total revenue	\$m	1,728.2	2,077.7	(17%)
Cost of sales	\$m	(1,056.7)	(1,207.4)	12%
Gross profit	\$m	671.5	870.3	(23%)
Other income	\$m	76.6	41.8	83%
Net profit after tax (NPAT)	\$m	500.8	577.3	(13%)
Underlying NPAT*	\$m	461.0	560.2	(18%)
Dividends paid	cps	2.00	2.00	0%
Dividends announced	cps	1.00	1.00	0%
Basic EPS	cps	21.97	25.35	(13%)
Underlying EPS*	cps	20.22	24.59	(18%)
Cash flows				
Operating cash flow	\$m	873.9	1,038.2	(16%)
Investing cash flow	\$m	(899.2)	(187.6)	(379%)
Financial position				
Net assets	\$m	2,819.8	2,374.4	19%
Cash balance	\$m	109.9	171.9	(36%)

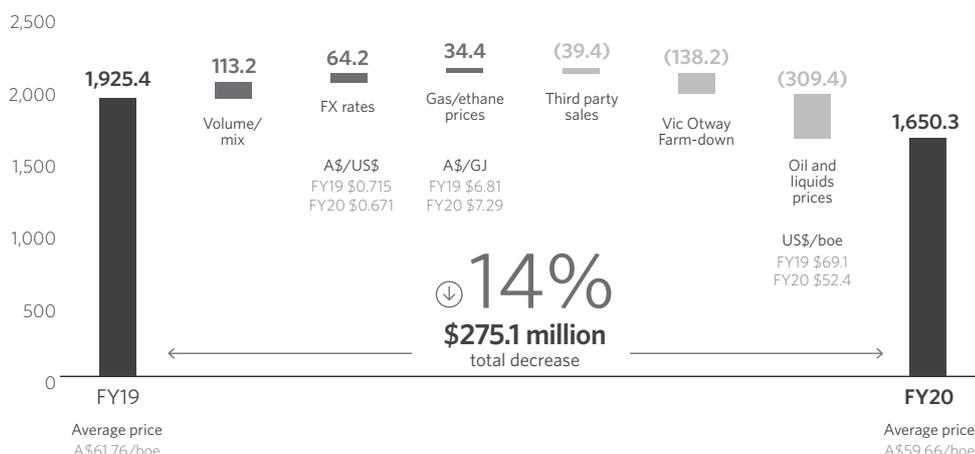
* Underlying results in the table above are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by Beach's external auditors. Please refer to the table on page 42 for a reconciliation of this information to the financial report.

Revenue

Sales revenue of \$1,650 million in FY20 was \$275 million (14%) lower than FY19, driven by lower realised liquids prices attributed to the impact of COVID-19, the Victorian Otway farm-down and lower third party sales, partly offset by a higher proportion of oil in the sales mix, lower FX rates and higher realised gas and ethane prices.

Higher oil volumes in the sales mix contributed an additional \$113.2 million on FY19, driven by higher Western Flank oil production. A lower A\$/US\$ exchange rate in FY20 resulted in a \$64.2 million increase in revenue on FY19. Higher gas and ethane prices increased revenue by \$34.4 million. Sales from third party product decreased revenue by \$39.4 million. Lower US dollar oil and liquids prices were experienced in FY20 attributable to the impact of COVID-19, impacting revenue by \$309.4 million in comparison to FY19, with the average realised liquids price decreasing to US\$52.4/boe, down US\$16.7/boe from FY19.

Sales Revenue Comparison (\$m)

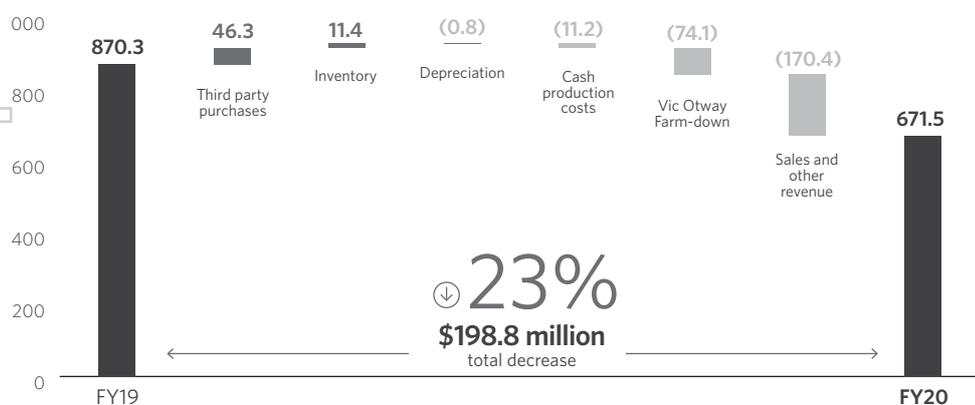


Gross Profit

Gross profit for FY20 of \$671.5 million (FY19 \$870.3 million) was down 23% driven by lower sales and other revenue, the Victorian Otway farm-down and higher cash production costs, partly offset by lower third party purchases and inventory movements.

The decrease in cost of sales down 12% from FY19 to \$1,056.7 million is due principally to the Victorian Otway farm-down. Lower third party purchases of \$46.3 million are the result of lower crude prices and crude volumes. The decrease in inventory charges of \$11.4 million reflects timing of shipments and movement in gas inventory. The increase in cash production costs of \$11.2 million is due to higher tariffs and tolls partly offset by lower royalties across Cooper Basin and New Zealand assets.

Gross Profit Comparison (\$m)



Net Profit Result

Other income of \$76.6 million is \$34.8 million higher than FY19, and includes a \$37.8m gain on the reversal of an onerous commitment provision booked upon the Lattice acquisition for the commitment to drill an exploration well in Victorian Otway, which is no longer deemed onerous. Other income also includes joint venture lease recoveries of \$15.5 million following the implementation of AASB 16. In the prior period an unrealised gain on 3-way collar oil price hedging of \$13.6 million was reported.

Other expenses of \$41.0 million were down \$2.6 million from FY19 due to lower corporate expenses, partly offset by the exploration expense incurred in H2 FY20 in relation to the Tawhaki well drilled in New Zealand.

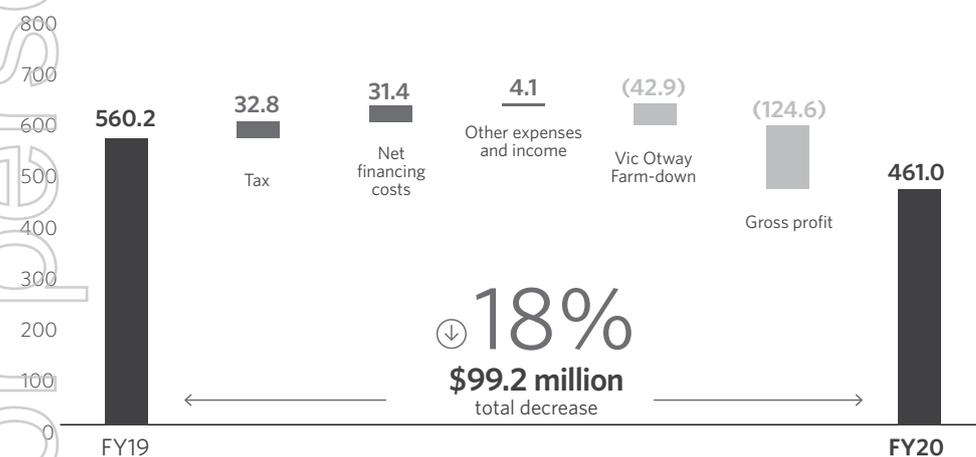
The reported net profit after income tax of \$500.8 million is \$76.5 million lower than FY19 due to the lower gross profit resulting from lower sales revenue attributed to the impact of COVID-19 and the Victorian Otway farm-down, partly offset by lower financing expenses and tax expenses.

By adjusting the FY20 profit to exclude non-recurring gains on asset sales and reversal of an onerous commitment provision and impairment, Beach's underlying net profit after tax is \$461.0 million.

Comparison of underlying profit	FY20 \$ million	FY19 \$ million	Movement from PCP \$ million	
Net profit after tax	500.8	577.3	(76.5)	(13%)
Adjusted for:				
Gain on asset disposals	(17.6)	(20.5)	2.9	
Gain on reversal of provision for onerous commitment	(37.8)	-	(37.8)	
Impairment of assets	1.6	-	1.6	
Tax impact of above changes	14.0	3.4	10.6	
Underlying net profit after tax	461.0	560.2	(99.2)	(18%)

* 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. All of the items being adjusted pre-tax are separately identified within Notes 2(b) and 3(b) to the financial statements.

Underlying Net Profit After Tax Comparison (\$m)



Financial Position

Assets

Total assets increased by \$301.3 million to \$4,215.2 million.

Cash balances decreased by \$62.0 million to \$109.9 million, primarily due to:

- Cash inflow from operations of \$873.9 million, offset by
- Cash outflow from investing activities of \$899.2 million,
- Cash outflow from financing activities of \$39.4 million.

Receivables decreased by \$69.1 million due to timing of settlements from Joint Venture partners and lower sales accruals driven by lower prices at period end. Inventories increased by \$7.4 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 \$53.3 million, 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 \$374.3 million. Capital additions of \$837.2 million and the capitalisation of depreciation of lease assets under AASB 16 Leases of \$35.4 million were partly offset by depreciation and amortisation of \$433.6 million and decreases in restoration of \$42.0 million. Deferred tax assets decreased by \$46.2 million. Lease assets of \$58.7 million are the result of adoption of AASB 16 Leases.

Liabilities

Total current and non-current liabilities decreased by \$144.1 million to \$1,395.4 million, due to a reduction in current tax liabilities of \$115.0 million, the unwind of contract liabilities of \$54.4 million, decrease in current payables of \$48.0 million and decrease in non-current provisions of \$43.9 million, offset by the inclusion of current and non-current lease liabilities as a result of the adoption of AASB 16 Leases of \$62.1 million and new non-current borrowings net of debt issuance costs of \$56.7 million.

Equity

Total equity increased by \$445.4 million, due to net profit after tax of \$500.8 million partly offset by dividends paid during the year of \$45.6 million.

Dividends

During the financial year the Company paid an FY19 fully franked final dividend of 1.0 cent per share as well as an interim FY20 fully franked dividend of 1.0 cent per share. The Company will also pay an FY20 fully franked final dividend of 1.0 cent per share from the profit distribution reserve.

State of affairs

In the opinion of the directors, other than the effect of the movement in oil prices summarised below and the company's response to COVID-19, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review not disclosed elsewhere in the Directors' Report.

Funding and capital management

As at 30 June 2020, Beach held cash and cash equivalents of \$110 million. On 23 November 2017, Beach executed a Syndicated Debt Facility Agreement for a \$1,475 million Senior Secured Debt Facility in order to fund the acquisition of Lattice. The facility is 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 Letter of Credit facility (Facility D). During FY19, Beach voluntarily prepaid and cancelled the Facility A and Facility B commitments of \$950 million.

As at 30 June 2020, \$60 million of Facility C was drawn with \$390 million remaining undrawn, and \$71.5 million of Facility D being utilised predominantly by way of bank guarantees.

Beach anticipates that its current funding to be adequate for capital expenditure anticipated for FY21.

Material Business Risks

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

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

Given the nature of Beach's operations, there are many factors that could impact Beach's operations and results. The material business risks that could have an adverse impact on Beach's financial prospects or performance include economic risks, health, safety and environmental risks, community and social licence risks and legal risks. These may be further categorised as strategic risks, operational risks, commercial risks, regulatory risks, reputational risks and financial risks. A description of the nature of the risk and how such risks are managed is set out below. The impacts of COVID-19 have been considered in the preparation of the company's material business risks. This list is neither exhaustive nor in order of importance.

COVID-19

The ongoing COVID-19 pandemic has had a significant impact on the global, Australian and New Zealand economies and the ability of businesses, individuals, and governments to operate with some restrictions to the movement of people and goods within both Australia and Overseas. There continues to be considerable uncertainty as to the duration and further impact of COVID-19, including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions. The impact of some or all of these factors could cause significant disruption to Beach's operations and financial performance. It is also possible that relevant governments may shut down some or all operating work sites. Any suspension of business operations or quarantining of any of Beach's employees may affect Beach's overall operations and operating results.

The curtailment of all non-essential travel globally and within Australia could significantly impair Beach's ability to manage the business effectively, respond to emergencies, and continue operations. For example, Beach may not be able to send specialists to specific sites to respond to operational or safety issues or to develop existing projects if such specialists cannot travel. A continuation or escalation of the COVID-19 pandemic could also materially affect demand for oil and gas, which could affect Beach in a manner set out below.

A continuation or escalation of the COVID-19 pandemic could also materially affect the ability of Beach's suppliers (or suppliers to joint venture partners (JVPs) managing Beach's assets) to provide products and services and threaten their ability to continue trading. If either Beach or its JVPs are unable to source spare parts for machinery and operations or other products and services, including personnel, then Beach and the JVPs may need to suspend certain operations on a temporary or a prolonged basis. Furthermore, Beach's financial position may be adversely impacted if certain of its, or its JVPs', suppliers (including its insurers, suppliers of IT services, and other suppliers of goods and services) are unable to continue as going concerns as a result of the economic impact of COVID-19.

These factors are beyond Beach's control and could have an adverse effect on the overall business sentiment and environment, causing material uncertainties in the regions where Beach conducts its business, cause Beach's business to suffer in ways that cannot be predicted with any reasonable certainty, and which may materially adversely impact Beach's business, financial condition and results of operations.

In order to mitigate the potential impact of COVID-19 on the health and wellbeing of Beach's employees and other stakeholders, and on Beach's business, Beach has been monitoring the COVID-19 developments and has established a multi-disciplinary task force to proactively prepare comprehensive plans to ensure business continuity, including isolating essential staff. Further details regarding the financial impacts of COVID-19 on the Group are disclosed in the Basis of Preparation section of the financial statements.

Economic risks

Exposure to oil and gas prices

A decline in the price of oil and gas may have a material adverse effect on Beach's financial performance. Historically, international crude oil prices have been very volatile. A sustained period of low or declining crude oil prices could adversely affect Beach's operations, financial position and ability to finance developments. Beach has a policy for hedging oil price and currency risks. Beach uses a structured framework for capital allocation decisions. The process provides rigorous value and risk assessment against a broad range of business metrics and stringent hurdles to maximise return on capital. This process is a significant development in Beach's continuing focus on reducing capital and operating expenditure and improving business efficiency.

The price of oil and gas has fallen dramatically in recent months for a number of reasons, including the economic slowdown resulting from the COVID-19 pandemic, an increase in supply from certain oil-producing countries resulting from geopolitical disagreements, and other macroeconomic factors. The economic slowdown combined with the increase in oil supply can also lead to a situation whereby Beach is unable to sell part of its products due to a lack of demand or available storage capacity. Beach has no control over these factors.

Declines in the price of oil and continuing price volatility may also lead to revisions of the medium and longer term price assumptions for oil from future production, which, in turn, may lead to a revision of the carrying value of some of Beach's assets.

The valuation of oil and gas assets is affected by a number of assumptions, including the quantity of reserves and resources booked in relation to these oil and gas assets and their expected cash flows. An extended or substantial decline in oil and/or gas prices or demand, or an expectation of such a decline, may reduce the expected cash flows and/or quantity of reserves and resources booked in relation to the associated oil and gas assets, which may lead to a reduction in the valuation of these assets. If the valuation of an oil and gas asset is below its carrying value, a non-cash impairment adjustment to reduce the historical book value of these assets will be made with a subsequent reduction in the reported net profit in the same reporting period.

Foreign exchange and hedging risk

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

The Company may use derivative financial instruments such as foreign exchange contracts, commodity contracts and interest rate swaps to hedge certain risk exposures, including commodity price fluctuations through the sale of petroleum productions and other oil-linked contracts.

Ability to access funding

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

If cash flows decrease or Beach is unable to access necessary financing, this may result in postponement of or reduction in planned capital expenditure, relinquishment of rights in relation to assets, or an inability to take advantage of opportunities or otherwise respond to market conditions. Any of these outcomes could have a material adverse effect on Beach's ability to expand its business and/or maintain operations at current levels, which in turn could have a material adverse effect on Beach's business, financial condition and operations.

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

A dispute, or a breakdown in the relationship, between Beach and its JVPs, suppliers or customers, a failure to reach a suitable arrangement with a particular JVP, supplier or customer, or the failure of a JVP, supplier or customer to pay or otherwise satisfy its contractual obligations (including as a result of insolvency, financial stress or the impacts of COVID-19), could have an adverse effect on the reputation and/or the financial performance of Beach. Beach may also be adversely affected if a counterparty seeks to amend the terms (including pricing) of an existing contract, whether in anticipation of a potential breach of contract by such counterparty or otherwise.

Operational risks

Joint Venture Operations

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

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

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

Material change to reserves and resources

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

Beach prepares its petroleum reserves and contingent resources estimates in accordance with the Petroleum Resources Management System (PRMS 2018) published by the Society of Petroleum Engineers and are subject to periodic external review or audit.

Exploration and development

Success in oil and gas production is key and in the normal course of business Beach depends on the following factors: successful exploration, establishment of commercial oil and gas reserves, finding commercial solutions for exploitation of reserves, ability to design and construct efficient production, gathering and processing facilities, efficient transportation and marketing of hydrocarbons and sound management of operations. Oil and gas exploration is a speculative endeavour and the nature of the business carries a degree of risk associated with failure to find hydrocarbons in commercial quantities or at all. Individual projects being undertaken by Beach may be affected by any restrictions relating to the COVID-19 pandemic.

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

Production risks

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

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

Beach and its JVPs may face such disruptions as a result of the restrictions on the movement and supply of personnel and products in response to the COVID-19 pandemic. A significant failure to meet production targets could compromise Beach's production and sales deliverability obligations, impact operating cash flows through loss of revenue and/or from incurring additional costs needed to reinstate production to required levels.

Cyber Risk

The integrity, availability and reliability of data within Beach's information and operational technology systems may be subject to intentional or unintentional disruption (for example, cyber security attack). Beach continues to invest in robust systems to prevent such attacks and to optimise response should one occur.

This risk may be escalated as a result of COVID-19 and the increase in remote working by our staff and contractors, notwithstanding Beach's efforts to mitigate this threat.

Social licence to operate risks

Regulatory risk

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

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

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

Permitting risk

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

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

Land access and Native Title

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

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

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

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

Health, safety and environmental risks

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

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

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

Beach employs a health, safety and environment management system to identify and manage risks in this area. Insurance policies, standard operating procedures, contractor management processes and facility design and integrity management systems, amongst other things, are important elements of the system that supports mitigation of these risks.

Beach seeks to maintain appropriate policies of insurance consistent with those customarily carried by organisations in the energy sector. Any future increase in the cost of such insurance policies, or an inability to fully renew or claim against insurance policies as a result of the current economic environment and the impact of COVID-19 (for example, due to a deterioration in an insurers ability to honour claims), could adversely affect Beach's business, financial position and operational results.

Beach's ability to mitigate these risks and effectively respond to health and safety incidents may be also impaired by restrictions on the movement of products and personnel relating to the COVID-19 pandemic.

Pandemic risk

Large scale pandemic outbreak of a communicable disease has the potential to affect personnel, production and delivery of projects.

The Company employs its crisis and emergency management plans, health emergency plans and business continuity plans to manage this risk including ongoing monitoring and response to government directions and advice. This enables the Company to take active steps to manage risks to the Company's staff and stakeholders and to mitigate risks to production and progress of growth projects.

Climate change

Beach is likely to be subject to increasing regulations and costs associated with climate change and management of carbon emissions. Strategic, regulatory and operational risks and opportunities associated with climate change are incorporated into Company policy, strategy and risk management processes and practices. The Company actively monitors current and potential areas of climate change risk and takes actions to prevent and/or mitigate any impacts on its objectives and activities. Reduction of waste and emissions is an integral part of delivery of cost efficiencies and forms part of the Company's routine operations.

Forward Looking Statements

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

Material Prejudice

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

Environmental regulations and performance statement

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

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

Beach reports under the National Greenhouse and Energy Reporting Act for its Australian operations and the Climate Change Response Act 2002 for its New Zealand operations.

Dividends paid or recommended

Since the end of the financial year the directors have resolved to pay a fully franked dividend of 1.0 cent per share on 30 September 2020. The record date for entitlement to this dividend is 31 August 2020. The financial impact of this dividend, amounting to \$22.8 million has not been recognised in the Financial Statements for the year ended 30 June 2020 and will be recognised in subsequent Financial Statements.

The details in relation to dividends paid during the reporting period are set out below:

Dividend	Record Date	Date of payment	Cents per share	Total Dividends
FY19 Final	30 August 2019	30 September 2019	1.0	\$22.8 million
FY20 Interim	28 February 2020	31 March 2020	1.0	\$22.8 million

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

Share options and rights

Beach does not have any options on issue at the end of financial year and has not issued any during FY20.

Share rights holders do not have any right to participate in any issue of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since the reporting date.

For details of performance rights issued to executives as remuneration, refer to the Remuneration Report. During the financial year, the following movement in share rights to acquire fully paid shares occurred:

Executive Performance Rights

On 19 December 2019, Beach issued 711,358 Short Term Incentive (STI) unlisted performance rights under the Executive Incentive Plan (EIP). These performance rights are exercisable for nil consideration and are not exercisable before 1 July 2020 and 1 July 2021.

On 19 December 2019, Beach also issued 1,926,496 Long Term Incentive (LTI) unlisted performance rights under the Executive Incentive Plan (EIP). 141,950 performance rights, which expire on 30 November 2023, are exercisable for nil consideration and are not exercisable before 1 December 2021. 1,784,546 performance rights, which expire on 30 November 2024, are exercisable for nil consideration and are not exercisable before 1 December 2022.

Rights	Balance at beginning of financial year	Issued during the financial year	Vested/ Exercised during the financial year	Expired/ lapsed during the financial year and not exercised	Balance at end of financial year
2016 LTI unlisted rights Issued 1 December 2016	1,604,006	-	(1,604,006)	-	-
2016 LTI unlisted rights Issued 21 February 2017	275,843	-	(275,843)	-	-
2016 STI unlisted rights Issued 1 December 2017	460,262	-	(460,262)	-	-
2017 LTI unlisted rights Issued 1 December 2017	1,641,429	-	-	-	1,641,429
2017 LTI unlisted rights Issued 9 April 2018	963,475	-	-	(320,960)	642,515
2017 STI unlisted rights Issued 6 December 2018	437,928	-	(218,962)	(12,119)	206,847
2018 LTI unlisted rights Issued 14 December 2018	2,328,932	-	-	(278,047)	2,050,885
2018 LTI unlisted rights Issued 19 December 2019	-	141,950	-	-	141,950
2018 STI unlisted rights Issued 19 December 2019	-	711,358	-	(74,099)	637,259
2019 LTI unlisted rights Issued 19 December 2019	-	1,784,546	-	(182,531)	1,602,015
Total	7,711,875	2,637,854	(2,559,073)	(867,756)	6,922,900

Employee share plan

A new employee share plan was approved by shareholders during the year where Employees who buy shares under the Plan will have those shares matched by Beach, provided any relevant conditions determined by the Board are satisfied. Eligible Employees are employees of the Group, other than a non-executive director and any other person determined by the Board as ineligible to participate in the Plan. The Board has the discretion to set an annual limit on the value of shares that participants may purchase under the Plan, not exceeding \$5,000. Purchased Shares have been acquired periodically at the prevailing market price. Participants pay for their Purchased Shares using their own funds which may include salary sacrifice. To receive Matched Shares, a participant must satisfy the conditions determined by the Board at the time of the invitation.

Rights	Balance at beginning of financial year	Issued during the financial year	Converted during the financial year	Expired/ lapsed during the financial year	Balance at end of financial year
FY20 Employee share plan Issued up to 30 June 2020	-	541,053	(20,728)	(6,090)	514,235
Total	-	541,053	(20,728)	(6,090)	514,235

Information on Directors

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

Glenn Stuart Davis

Independent non-executive Chairman - LLB, BEc, FAICD

Experience and expertise

Mr Davis has practiced as a solicitor in corporate and risk throughout Australia for over 30 years initially in a national firm and then a firm he founded. He has expertise and experience in the execution of large transactions, risk management and in corporate activity regulated by the Corporations Act and ASX Limited. Mr Davis has worked in the oil and gas industry as an advisor and director for over 25 years.

Current and former listed company directorships in the last 3 years

Mr Davis is a former director of ASX listed company Auteco Minerals (previously called Monax Mining Limited) (from 2004 to November 2018).

Responsibilities

His special responsibilities include Chairmanship of the Board and membership of the Remuneration and Nomination Committee.

Date of appointment

Mr Davis joined Beach on 6 July 2007 as a non-executive director. He was appointed non-executive Deputy Chairman in June 2009 and Chairman in November 2012. He was last re-elected to the Board on 23 November 2018.

Colin David Beckett, AO

Independent non-executive Deputy Chairman - FIEA, MICE, GAICD

Experience and expertise

Mr Beckett is an experienced non-executive director and previously held senior executive positions in Australia with Chevron, Mobil, and BP. His experience in engineering design, project management, commercial negotiations and gas marketing provides him with a diverse and complementary set of skills relevant to the oil and gas industry. Mr Beckett read engineering at Cambridge University and has a Master of Arts. He was awarded an honorary doctorate from Curtin University in 2019. He was previously a fellow of the Australian Institute of Engineers. He is a graduate member of the Institute of Company Directors. He is currently Chair of Western Power. He was the Chancellor of Curtin University until end 2018. He is a past Chairman of Perth Airport Pty Ltd and past Chairman of the Australian Petroleum Producers and Explorers Association (APPEA).

Current and former listed company directorships in the last 3 years

Nil

Responsibilities

His special responsibilities include chairmanship of the Remuneration and Nomination Committee and membership of the Risk, Corporate Governance and Sustainability Committee.

Date of appointment

Mr Beckett was appointed to the Board on 2 April 2015 and last re-elected to the Board on 26 November 2019.

Philip James Bainbridge

Independent non-executive director - BSc (Hons) Mechanical Engineering, MAICD

Experience and expertise

Mr Bainbridge has extensive industry experience having worked for the BP Group for 23 years in a range of petroleum engineering, development, commercial and senior management roles in the UK, Australia and USA. From 2006, he has worked at Oil Search, initially as Chief Operating Officer, then Executive General Manager LNG, responsible for all aspects of Oil Search's interests in the \$19 billion PNG LNG project, then EGM Growth responsible for gas growth and exploration.

He is currently a non-executive chairman of the PNG Sustainable Development Program and a non-executive director of the Global Institute of Carbon Capture and Storage.

Current and former listed company directorships in the last 3 years

Mr Bainbridge was formerly the non-executive chairman of Sino Gas and Energy Holdings (from 2014 until 2018).

Responsibilities

His special responsibilities include chairmanship of the Risk, Corporate Governance and Sustainability Committee.

Date of appointment

Mr Bainbridge was appointed to the Board on 1 March 2016 and then elected to the Board on 26 November 2019.

Matthew Vincent Kay

Managing director & Chief executive officer - BEc, MBA, FCPA, GAICD

Experience and expertise

Mr Kay joined Beach in May 2016 as Chief Executive Officer. Mr Kay has over 25 years' experience in energy and resources and prior to joining Beach, served as Executive General Manager, Strategy and Commercial at Oil Search, a position he held for two years. In that role he was a member of the executive team and led the strategy, commercial, supply chain, economics, marketing, M&A and legal functions.

Prior to Oil Search, Mr Kay spent 12 years with Woodside Energy in various leadership roles, including Vice President of Corporate Development, General Manager of Production Planning leading over 80 operations professionals, and General Manager of Commercial for Middle East and Africa. In these roles Mr Kay developed extensive leadership skills across LNG, pipeline gas and oil joint ventures, and developments in Australia and internationally.

Current and former listed company directorships in the last 3 years

Nil

Responsibilities

Managing Director & Chief Executive Officer

Date of appointment

Mr Kay was appointed managing director of Beach Energy Limited on 25 February 2019 and elected to the Board on 26 November 2019.

Sally-Anne Layman**Independent non-executive director – B Eng (Mining) Hon, B Com, CPA, MAICD***Experience and expertise*

Sally-Anne Layman is a company director with diverse international experience in the resources sector and financial markets, including 14 years with Macquarie Group where she was a division director and Joint Head of the Perth Office for the Metals, Mining & Agriculture Division. Prior to moving into finance, Ms Layman undertook various roles with resource companies including Mount Isa Mines, Great Central Mines and Normandy Yandal. Ms Layman holds a WA First Class Mine Manager's Certificate of Competency.

Ms Layman holds a Bachelor of Engineering (Mining) Hon from Curtin University and a Bachelor of Commerce from the University of Southern Queensland. Ms Layman is a Certified Practising Accountant and is a member of CPA Australia Ltd and the Australian Institute of Company Directors.

Current and former listed company directorships in the last 3 years

Ms Layman is also on the board of Perseus Mining Ltd (since September 2017), Imdex Ltd (since February 2017) and Pilbara Minerals Ltd (since April 2018) and was previously on the board of Gascoyne Resources Ltd (from June 2017 until May 2019).

Responsibilities

Her special responsibilities include Chairmanship of the Audit Committee.

Date of appointment

Ms Layman was appointed to the Board on 25 February 2019 and elected to the Board on 26 November 2019.

Peter Stanley Moore**Independent non-executive director – PhD, BSc (Hons), MBA, GAICD***Experience and expertise*

Dr Moore has over forty years of oil and gas industry experience. His career commenced at the Geological Survey of Western Australia, with subsequent appointments at Delhi Petroleum Pty Ltd, Esso Australia, ExxonMobil and Woodside. Dr Moore joined Woodside as Geological Manager in 1998 and progressed through the roles of Head of Evaluation, Exploration Manager Gulf of Mexico, Manager Geoscience Technology Organisation and Vice President Exploration Australia. From 2009 to 2013, Dr Moore led Woodside's global exploration efforts as Executive Vice President Exploration. In this capacity, he was a member of Woodside's Executive Committee and Opportunities Management Committee, a leader of its Crisis Management Team, Head of the Geoscience function and a director of ten subsidiary companies. From 2014 to 2018, Dr Moore was a Professor and Executive Director of Strategic Engagement at Curtin University's Business School. He has his own consulting company, Norris Strategic Investments Pty Ltd.

Current and former listed company directorships in the last 3 years

Dr Moore is currently a non-executive director of Carnarvon Petroleum Ltd (since 2015) and was previously a non-executive director of Central Petroleum Ltd (from 2014 to November 2018).

Responsibilities

His special responsibilities include membership of the Risk, Corporate Governance and Sustainability Committee and the Remuneration and Nomination Committee.

Date of appointment

Dr Moore was appointed by the Board on 1 July 2017 and then elected to the Board on 26 November 2019.

Joycelyn Cheryl Morton**Independent non-executive director – BEc, FCA, FCPA, FIPA, FCIS, FAICD***Experience and expertise*

Ms Morton has extensive experience in finance and taxation having begun her career with Coopers & Lybrand (now PwC), followed by senior management roles with Woolworths Limited and global leadership roles in Australia and internationally within the Shell Group of companies.

Ms Morton was National President of both CPA Australia and Professions Australia, has served on many committees and councils in the private, government and not-for-profit sectors and held international advisory positions. In addition, Ms Morton has valuable board experience across a range of industries and is a non-executive director of ASC Pty Ltd (since 2017) and Snowy Hydro (since 2012) – both government owned corporations.

Current and former listed company directorships in the last 3 years

Ms Morton is currently a non-executive director of Argo Investments Limited (since 2012) and Argo Global Listed Infrastructure Limited (since 2015). She previously was non-executive director and Chair of Thorn Group Limited (from 2011 to 2018) and non-executive director of InvoCare Limited (from 2015 to 2018).

Responsibilities

Her special responsibilities include membership of the Audit Committee.

Date of appointment

Ms Morton was appointed a non-executive director of Beach Energy Limited on 21 February 2018 and then elected to the Board on 23 November 2018.

Richard Joseph Richards

Non-executive director – BComs/Law (Hons), LL.M, MAppFin, CA, Admitted Solicitor

Experience and expertise

Mr Richards is currently Chief Financial Officer of Seven Group Holdings Limited (SGH) (since October 2013). He is responsible for Finance across the diversified conglomerate (equipment manufacture, sales and service, equipment hire, investments, property, media and oil and gas). Mr Richards is a member of the Board of Directors of WesTrac, SGH Energy, is a Director and Chair of the Audit and Risk Committee of Coates Hire Pty Limited, a Director and Chair of the Audit and Risk Committee of KU Children Services (NFP) and a member of the Marcia Burgess Foundation Committee (DGR). He had held senior finance roles with Downer EDI, the Lowy Family Group and Qantas. Mr Richards is both a Chartered Accountant and admitted solicitor with over 30 years of experience in business and complex financial structures, corporate governance, risk management and audit.

Current and former listed company directorships in the last 3 years
Nil.

Responsibilities

His special responsibilities include membership of the Audit Committee.

Date of appointment

Mr Richards was appointed to the Board on 4 February 2017 and then elected to the Board on 23 November 2017.

There are no directors of Beach who held office during the financial year and are no longer on the Board.

Directors' meetings

The number of Directors' meetings and meetings of Committees of Directors held during the financial year and the number of meetings attended by each of the directors is set out below:

Name	Directors' Meetings		Audit Committee Meetings		Remuneration and Nomination Committee Meetings		Risk, Corporate Governance and Sustainability Committee Meetings	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
G S Davis	12	12	-	-	7	7	-	-
C D Beckett	12	12	-	-	7	7	5	5
P J Bainbridge	12	12	-	-	-	-	5	5
M V Kay	12	12	-	-	-	-	-	-
S G Layman	12	12	6	6	-	-	-	-
P S Moore	12	12	-	-	7	7	5	5
J C Morton	12	12	6	6	-	-	-	-
R J Richards	12	12	6	6	-	-	-	-
R K Stokes	12	12	-	-	7	7	-	-

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

Ryan Kerry Stokes, AO

Non-executive director – BComm, FAIM

Experience and expertise

Mr Stokes is the Managing Director and Chief Executive Officer of Seven Group Holdings Limited (SGH). SGH is a listed diverse investment company involved in Industrial Services, Media, and Energy. SGH interests include 28.52% of Beach Energy, WesTrac, Coates Hire and 41% of Seven West Media Limited. Mr Stokes is a director of WesTrac, Chairman of Coates Hire, and a director of Seven West Media.

Mr Stokes is Chief Executive Officer of Australian Capital Equity Pty Limited (ACE). ACE is a private company with its primary investment being an interest in SGH. Mr Stokes is Chairman of the National Gallery of Australia and is an Officer of the Order of Australia. He is also a member of the International Olympic Committee Education Commission. His previous roles include Chairman of the National Library of Australia, member of the Prime Ministerial Advisory Council on Veterans' Mental Health, Founding Chair Headspace, Youth Mental Health Foundation.

Current and former listed company directorships in the last 3 years

Mr Stokes is an executive director of SGH (since 2010) and a non-executive director of Seven West Media (since 2012).

Responsibilities

His special responsibilities include membership of the Remuneration and Nomination Committee.

Date of appointment

Mr Stokes was appointed to the Board on 20 July 2016 and then elected to the Board on 23 November 2018.

Board Committees

Chairmanship and current membership of each of the board committees at the date of this report are as follows:

Committee	Chairman	Members
Audit	S G Layman	J C Morton, R J Richards
Risk, Corporate Governance & Sustainability	P J Bainbridge	C D Beckett, P S Moore
Remuneration and Nomination	C D Beckett	G S Davis, R K Stokes, P S Moore

Indemnity of Directors and Officers

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

Company Secretary

Daniel Murnane

Company Secretary - BA/LLB

Mr Murnane joined Beach in May 2018 as Senior Legal Counsel and was appointed to Company Secretary on 2 March 2020. He has more than 15 years' experience, including over 11 years advising resources companies. Mr Murnane has worked as a senior associate in private legal practice predominately for energy companies on mergers and acquisitions, major projects, capital raisings and commercial disputes. In addition, Mr Murnane has held various in-house roles spanning legal and corporate governance environments, including with a NYSE listed oil and gas company.

Mr Murnane is qualified as a solicitor in New South Wales and Papua New Guinea and holds a Bachelor of Arts and a Bachelor of Laws.

Non-audit services

Beach may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with Beach are important.

The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the audit independence requirement of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principle relating to auditor independence as set out in APES 110 Code - Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for Beach, acting as advocate for Beach or jointly sharing economic risk and reward.

Details of the amounts paid or payable to the external auditors, Ernst & Young, for audit and non-audit services provided during the year are set out at Note 29 to the financial statements.

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 financial statements have been rounded to the nearest hundred thousand dollars, unless shown otherwise.

Proceedings on behalf of Beach

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

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

Matters arising subsequent to the end of the financial year

On 17 August 2020 Beach announced that the company (through its subsidiary Beach Energy (Operations) Limited) with support from its joint venture partner O.G. Energy has executed a new offshore drilling agreement ("Agreement") with Diamond Offshore General Company ("Diamond") for the use of the Ocean Onyx Semi-submersible rig to undertake Beach's Victorian Otway offshore drilling program. The Agreement provides for the drilling of up to 9 wells (6 firm and 3 options), with drilling operations expected to commence between December 2020 and March 2021 (subject to extension, should certain conditions occur that impact on timing of commencement). Concurrent with the signing of the Agreement, Beach and Diamond have also signed a Settlement Agreement, which (following approval by the Bankruptcy Court) dismisses all current legal proceedings regarding the termination of the previous drilling agreement. The Agreement remains subject to a number of conditions precedent that are administrative in nature (including the Bankruptcy court approval of the Settlement Agreement) which are expected to be satisfied within the next few weeks.

Other than the matters described above, there has not arisen in the interval between 30 June 2020 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, unless otherwise noted in the financial report.

Audit 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 audit of the full year financial statements. This Independence Declaration is made on the following page and forms part of this Directors' Report.

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

On behalf of the directors



G S Davis
Chairman

Adelaide, 17 August 2020

Auditor's Independence Declaration



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

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Fax: +61 8 8417 1775
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Auditor's Independence Declaration to the Directors of Beach Energy Limited

As lead auditor for the audit of the financial report of Beach Energy Limited for the financial year ended 30 June 2020, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A stylized signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'AJ' followed by a horizontal line.

Anthony Jones
Partner
Adelaide
17 August 2020

2020 Remuneration in Brief (Unaudited)

For the financial year ended 30 June 2020

Remuneration to executive key management personnel in FY20

In arriving at the overall remuneration outcomes for FY20, Board and management have sought to balance and take account of the broader economic conditions which have impacted Beach, whilst acknowledging the outcomes achieved by management during the whole of FY20.

In arriving at the remuneration outcomes, the Board took the following approach:

- No increases to senior executive (including KMP) fixed remunerations were agreed in respect of FY21;
- STI and LTI awards were broadly based on pre-pandemic outcomes and strong management performance in adapting the business to respond to COVID-19 and a lower oil price environment;
- Notwithstanding the fact that both STI threshold hurdle measures had been achieved, given the industry downturn in FY20, the board has elected to restrict the FY20 STI Award calculation to a 60% achievement basis rather than 100% which would otherwise have been the case; and
- Both senior executives and non-executive directors have agreed to a 10% reduction in base remuneration for a period of 6 months effective from 1 July 2020.

A summary of the audited cost to the Company of executive key management personnel (KMP) remuneration is provided in Table 8.

FY20 remuneration outcomes at a glance

Fixed Remuneration	BENCHMARK INCREASES FOR SENIOR EXECUTIVES	Small Total fixed remuneration (TFR) increases for select senior executives reflecting market changes were effective 1 October 2019.
Short Term Incentive (STI)	STI AWARDED	The board awarded an STI to senior executives.
Long Term Incentive (LTI)	LTI VESTED	The 2016 LTI performance rights fully vested following achievement of the performance condition.
Non-executive directors	BASE FEES INCREASED	Fees payable to the Chair and the majority of board members increased by \$30,000 and \$12,500 per annum respectively following an external benchmarking exercise and were effective 1 July 2019. The Deputy Chair received an increase of \$1,500 effective the same date.
2019 AGM Remuneration Report	98.8% 'YES VOTE'	Beach received more than 98% of 'yes' votes on a poll to adopt its Remuneration Report for the 2019 financial year. No specific feedback on Beach's remuneration practices was received at the 2019 annual general meeting.

Disclosures required in the remuneration report by the Corporations Act, particularly the inclusion of accounting values for LTI performance rights awarded but not vested, can vary significantly from the remuneration actually paid to senior executives. This is because the Accounting Standards require a value to be placed on a right at the time it is granted to a senior executive and then reported as remuneration even if ultimately the senior executive does not receive any actual value, for example because performance conditions are not met and the rights do not vest.

The following table is a summary of remuneration actually paid or payable to executive KMP for FY20. It is not audited.

Table 1: Remuneration to executive key management personnel (unaudited)

Name	TFR				Total Cash
	Salary \$	Super \$	STI cash bonus \$	Other ⁽¹⁾ \$	
M V Kay <i>Managing Director and Chief Executive Officer</i>	1,241,000	25,000	143,808	-	1,409,808
M Engelbrecht <i>Chief Financial Officer</i>	572,886	25,000	44,388	-	642,274
D Summers⁽²⁾ <i>Chief Operating Officer</i>	565,265	20,867	-	8,524	594,656
G J Barker <i>Group Executive Development</i>	461,591	25,000	28,243	-	514,834
L Marshall <i>Group Executive Corporate Strategy & Commercial</i>	461,591	25,000	33,498	60,000	580,089
J L Schrull <i>Group Executive Exploration & Appraisal</i>	511,947	21,003	36,690	-	569,640
Total	3,814,280	141,870	286,627	68,524	4,311,301

(1) Other remuneration includes the payment of accrued employee entitlements and allowances paid under the terms and conditions of employment such as retention allowances.

(2) Ms Summers resigned with effect on 30 April 2020.

Remuneration Report (Audited)

For the financial year ended 30 June 2020

This report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth) (Corporations Act) for the consolidated entity for the financial year ended 30 June 2020. It has been audited as required by section 308(3C) of the Corporations Act and forms part of the Directors' Report.

Key management personnel

The Company's KMP are listed in Table 2. They are the Company's non-executive directors (NED) and executive KMP who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

Table 2: Key management personnel during FY20

Name	Position	Period as KMP during the year
Executive KMP		
M V Kay	Managing Director & Chief Executive Officer (CEO)	All of FY20
M Engelbrecht	Chief Financial Officer	All of FY20
G J Barker	Group Executive Development	All of FY20
L Marshall	Group Executive Corporate Strategy and Commercial	All of FY20
J L Schrull	Group Executive Exploration and Appraisal	All of FY20
Non-executive Directors		
G S Davis	Independent Chairman	All of FY20
P J Bainbridge	Non-executive Director	All of FY20
C D Beckett	Non-executive Director	All of FY20
P S Moore	Non-executive Director	All of FY20
J C Morton	Non-executive Director	All of FY20
R J Richards	Non-executive Director	All of FY20
R K Stokes	Non-executive Director	All of FY20
S G Layman	Non-executive Director	All of FY20
Former KMP		
D Summers	Chief Operating Officer	1 July 2019 – 30 April 2020

Beach's remuneration policy framework

Beach's vision is to be Australia's premier multi-basin upstream oil and gas company.

Beach's remuneration framework seeks to focus executives on delivering that purpose:

- Fixed remuneration aligns to market practice and prevailing economic conditions. It seeks to attract, motivate and retain executives focused on delivering Beach's purpose.
- 'At risk' performance based incentives link to shorter and longer term Company goals. The goals contribute to the achievement of Beach's purpose.
- Longer term 'at risk' incentives align with shareholder objectives and interests. Beach benchmarks shareholder returns against peers considered to be alternative investments to Beach. Beach offers share based rather than all cash rewards to executives.
- Beach may recover remuneration benefits paid if there has been fraud or dishonesty.
- The Corporations Act and Beach's Share Trading Policy prohibit hedging. Hedging is where a person enters a transaction to reduce the risk of an 'at risk' incentive. Beach has a process to track compliance with its no hedging policy. Beach's Share Trading Policy is available at Beach's website: www.beachenergy.com.au.

How Beach makes decisions about remuneration

The Board decides Beach's KMP remuneration. It decides that remuneration based on recommendations by its Remuneration and Nomination Committee. The Committee's members are all non-executive directors. Its charter is available at Beach's website: www.beachenergy.com.au. Beach's Managing Director & CEO may attend Committee meetings by invitation in an advisory capacity. Other executives may also attend by invitation. The Committee excludes executives from any discussion about their own remuneration.

External advisers and remuneration advice

Beach follows a protocol to engage any adviser to make a remuneration recommendation. The protocol ensures the recommendation is free from undue influence by management. The Board or Committee chair engages the adviser. The Board or Committee chair deals with the adviser on all material matters. Management involvement is only to the extent necessary to coordinate the work.

The Board and Committee seek recommendations from the Managing Director & CEO about executive remuneration. The Managing Director & CEO does not make any recommendation about his own remuneration.

The Board and Committee have regard to industry benchmarking information.

How Beach links performance to incentives

Beach's remuneration policy includes short term and long term incentive plans. The plans seek to align management performance with shareholder interests.

The LTI links to an increase in total shareholder return over an extended period.

The STI has equal proportions of cash and performance rights. Performance rights may convert to Beach shares.

The following table shows some key shareholder wealth indicators.

KPI and STI awards for FY19 and FY20 are detailed in Table 8.

Table 3: Shareholder wealth indicators FY16 – FY20

	FY16	FY17	FY18	FY19	FY20
Total revenue	\$564.6m	\$665.7m	\$1,267.4m	\$2,077.7m	\$1,728.2m
Net profit/(loss) after tax	(\$588.8m)	\$387.5m	\$198.8m	\$577.3m	\$500.8m
Underlying net profit after tax	\$35.7m	\$161.7m	\$301.5m	\$560.2m	\$461.0m
Share price at year-end	61.0 cents	57.5 cents	175.5 cents	198.5 cents	152.0 cents
Dividends declared	0.50 cents	2.00 cents	2.00 cents	2.00 cents	2.00 cents
Reserves	70 MMboe	75 MMboe	313 MMboe	326 MMboe	352 MMboe
Production	9.7 MMboe	10.6 MMboe	19.0 MMboe	29.4 MMboe	26.7 MMboe

Senior executive remuneration structure

This section details the remuneration structure for senior executives.

Remuneration mix

Remuneration for senior executives is a mix of a fixed cash salary component and an 'at risk' component. The 'at risk' component means that specific targets or conditions must be met before a senior executive becomes entitled to it.

What is the balance between fixed and 'at risk' remuneration?

The remuneration structure and packages offered to senior executives for the period were:

- Fixed remuneration.
- 'At risk' remuneration comprising:
 - Short term incentive (STI) - an annual cash and equity based incentive, which may be offered at the discretion of the Board, linked to Company and individual performance over a year.
 - Long term incentive (LTI) - equity grants, which may be granted annually at the discretion of the Board, linked to performance conditions measured over three years.

The balance between fixed and 'at risk' remuneration depends on the senior executive's role. The CEO has the highest level of 'at risk' remuneration reflecting the greater level of responsibility of this role.

Table 4 sets out the relative proportions of the three elements of the executives KMP's total remuneration packages for FY19 and FY20.

Table 4: Remuneration mix⁽¹⁾

Position	Performance based remuneration			Total 'at risk' %
	Fixed Remuneration %	STI %	LTI %	
CEO				
2020	34	33	33	66
2019	34	33	33	66
Other Executive KMP				
2020	51	23	26	49
2019	51	23	26	49

⁽¹⁾ The remuneration mix assumes maximum 'at risk' awards. Percentages shown later in this report reflect the actual incentives paid as a percentage of total fixed remuneration, movements in leave balances and other benefits and share based payments calculated using the relevant accounting standards.

Fixed remuneration

What is fixed remuneration? Senior executives are entitled to a fixed cash remuneration amount inclusive of the guaranteed superannuation contribution. The amount is not based upon performance. Senior executives may decide to salary sacrifice part of their fixed remuneration for additional superannuation contributions and other benefits.

How is fixed remuneration reviewed? Fixed remuneration is determined by the Board based on independent external review or advice that takes account of the role and responsibility of each senior executive. It is reviewed annually against industry benchmarking information including the National Rewards Group Incorporated remuneration survey.

Fixed remuneration for the year

Total fixed remuneration (TFR) of KMP are provided in Table 1 and Table 8. Table 8 reports on the remuneration for KMP as required under the Corporations Act. Table 1 shows the actual realised cash remuneration that KMP received.

Short Term Incentive (STI)

What is the STI? The STI is part of 'at risk' remuneration offered to senior executives. It measures individual and Company performance over a 12 month period. The period coincides with Beach's financial year. It provides equal parts of cash and equity that may vest subject to extra retention conditions. It is offered to senior executives at the discretion of the Board.

How does the STI link to Beach's objectives? The STI is an at risk opportunity for senior executives. It rewards senior executives for meeting or exceeding key performance indicators. The key performance indicators link to Beach's key purpose. The STI aims to motivate senior executives to meet Company expectations for success. Beach can only achieve its purpose if it attracts and retains high performing senior executives. An award made under the STI has a retention component. Half is paid in cash and half is issued as performance rights with service conditions attached.

What are the performance conditions or KPIs?

Beach's key performance indicators (KPIs) are set by the Board for each 12 month period beginning at the start of a financial year. They reflect Beach's financial and operational goals that are essential to it achieving its purpose. Senior executives also have individual KPIs to reflect their particular responsibilities. For the reporting period, the performance measures comprised:

STI Measures	Weighting	
	CEO	Other KMP
Company KPIs	75%	60%
Production	15%	12%
Statutory NPAT	15%	12%
Reserves replacement	15%	12%
All in cost/boe	15%	12%
Personal safety	5%	4%
Process safety	5%	4%
Environment	5%	4%
Individual KPIs	25%	40%

Refer to Table 6 for more information.

Individual KPIs link to Beach's strategy and strategic plan. Individual KPIs relate to areas where senior executives are able to influence or control outcomes. KPIs may include: gender diversity targets; delivery of cost savings; development of project specific plans to align with Beach's strategic pillars; specific initiatives for developing employee capability; funding capacity; improvements in systems to achieve efficiencies; specific commercial or corporate milestones; or specific safety and environmental and sustainability targets.

Are there different performance levels?

The Board sets KPI measures at threshold, target and stretch levels. A participant must achieve the threshold level to entitle them to any payment for an individual KPI. The stretch level is the greatest performance outcome for an individual KPI.

What is the value of the STI award that can be earned?

Incentive payments are based on a percentage of a senior executive's fixed remuneration.

The CEO can earn up to a maximum of 100% of his fixed remuneration.

The value of the award that can be earned by other senior executives is up to a maximum of 45% of their fixed remuneration.

How are the performance conditions assessed?

The KPIs are reviewed against an agreed target.

The Board assesses the extent to which KPIs were met for the period after the close of the relevant financial year and once results are finalised. The Board assesses senior executive performance on the CEOs recommendation. The Board assesses the achievement of the KPIs for the CEO.

Is there a threshold level of performance or hurdle before an STI is paid?

Yes. At the end of Beach's financial year there is a calculation of return on capital. There is also a calculation of a one year relative total shareholder return against the ASX 200 Energy Index. Refer to Table 5 below.

Table 5: Two-tiered test

Measures	Green	Red
One year Relative Total Shareholder Return against the ASX 200 Energy Index for the Performance Period	> = Index return	< Index return
Return on capital ⁽¹⁾	> = 10%	< 10%

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

What happens if an STI is awarded?

On achievement of the relevant KPIs, Beach pays half of the STI award in cash. Beach includes cash awards in its financial statements for the relevant financial year. Beach pays cash awards after the end of its financial year, usually in October.

Beach issues the remaining half of the STI award value in performance rights. Performance rights vest over one and two years if the senior executive remains employed by Beach at each vesting date. If a senior executive leaves Beach before the vesting date the performance rights lapse. The Board may exercise its discretion for early vesting if the senior executive leaves Beach due to death or disability. The Board may exercise its discretion for early vesting in the event of a change of control of Beach. The Board also has a general discretion to allow early vesting of performance rights. The Board needs exceptional circumstances to consider exercising that general discretion.

STI Performance for the year

At the completion of the financial year the Board tested each senior executive's performance against the STI performance conditions set for the year after exercising its discretion in relation to the hurdle measures. The results of the two hurdle measures were:

FY20 measures	Outcome	Hurdle
One year Relative Total Shareholder Return against ASX 200 Energy Total Return Index (Index Return) at the end of the Performance Period	(22.4%)	(28.7%)
Return on capital at the end of the Performance Period	19.2%	10.0%

Notwithstanding the fact that both hurdle measures had been achieved, given the industry downturn in FY20, the board has elected to restrict the FY20 STI Award calculation to a 60% achievement basis rather than 100% which would otherwise have been the case. The board exercised its discretion to reduce the award but still pay 60% on the following basis:

- the return on capital hurdle was met and well exceeded;
- whilst the relative TSR hurdle was achieved the Company TSR for the year was negative;
- negative TSR was primarily driven by external factors beyond the executives control;
- most metrics within the executives control were met; and
- In difficult market conditions as a result of COVID-19 and an oil market downturn the executives responded decisively and produced sound operating and financial outcomes as well as adjusting the forward program and operating plan appropriately.

The percentage of the maximum STI that will be paid or forfeited for the period for each executive KMP was as follows (paid/forfeited): Mr Kay 23%/77%, Mr Engelbrecht 33%/67%, Mr Marshall 31%/69%, Mr Barker 26%/74%, Mr Schrull 31%/69%.

The STI awards made reflect Beach's performance for FY20, with outcomes of the Company related performance conditions that make up a fixed percentage of the STI KPIs provided in Table 6.

Table 6: Outcome of FY20 STI Company KPIs

STI Measure	Link to Beach's strategy	Performance and score
Production	Production is fundamental to Beach's earnings and profit.	Beach's full year production was 26.7 MMboe. Score – threshold met.
Statutory NPAT	Statutory NPAT reflects Beach's earning performance. Stretch performance is achieved through strong sales revenue and cost reduction.	In FY20 Beach delivered NPAT of \$501 million. Score – threshold not met.
Reserves replacement	Replacing reserves is fundamental to Beach's longer term financial sustainability.	Beach's reserves increased by 26 MMboe. Score – target met.
All in cost/boe	Maintaining a cost and efficiency focus in order to optimise our core production hubs and maintain financial strength are key strategic pillars.	Beach's all in cost/boe for FY20 was \$8.97. Score – threshold met.
Personal safety	Beach's key value is that 'Safety takes precedence in everything we do'. Beach is focused on ensuring it and its contractors operate in a safe manner. Beach has included other safety and reliability measures in the annual Sustainability Report. The Sustainability Report is available on Beach's website.	Beach achieved a total recordable injury frequency rate (TRIFR) of 3.7. Score – threshold not met.
Process safety		Beach recorded one Loss of Primary Containment events during the year. Score – target met.
Environment	Beach strives to reduce the environmental impact of its activities.	Beach recorded two loss of hydrocarbon events in FY20. Score – threshold met.

STI performance rights issued in 2018 and 2019 to senior executives converted automatically to shares because they remained employed by the Company on 1 July 2020. A total of 525,479 shares were issued.

STI performance rights issued or in operation in FY20

The fair value of services received in return for STI rights (see Table 13) granted is measured by reference to the fair value of STI rights granted calculated using the Binomial or Black-Scholes Option Pricing Models. The contractual life of the STI rights is used as an input into the valuation model. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the rights), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate is based on Commonwealth Government bond yields relevant to the term of the performance rights.

Long Term Incentive (LTI)

What is the LTI?	The LTI is an equity based 'at risk' incentive plan. The LTI aims to reward results that promote long term growth in shareholder value or total shareholder return (TSR). Beach offers LTIs to senior executives at the discretion of the Board.
How does the LTI link to Beach's key purpose?	The LTI links to Beach's key purpose by aligning the longer term 'at risk' incentive rewards with outcomes that match shareholder objectives and interests by: <ul style="list-style-type: none"> - benchmarking shareholder returns against a group of companies considered alternative investments to Beach; - giving share based rather than cash based rewards to executives. This links their own rewards to shareholder expectations of dividends and share price growth.
How are the number of rights issued to senior executives calculated	The number of performance rights granted to the executives under the LTI is calculated as fixed remuneration at 1 November of the Financial Year times the relevant percentage divided by the market value. The Market Value is the market value of a fully paid ordinary share in the Company, calculated using a five day VWAP, up to and including the date the performance rights are granted. This method of calculating the number of performance rights does not discount for the value of anticipated dividends during the performance period.
What equity based grants are given and are there plan limits?	Beach grants performance rights using the formula set out above. If the performance conditions are met, senior executives have the opportunity to acquire one Beach share for every vested performance right. There are no plan limits as a whole for the LTI. This is due to the style of the plan and advice by external remuneration consultants about individual plan limits. Individual limits for the plans that are currently operational are set out in Table 7.
What is the performance condition?	The performance condition is based on Beach's Total Shareholder Return (TSR) relative to the ASX 200 Energy Total Return Index. The initial out-performance level is set at the Index return plus 5.5% compound annual growth rate (CAGR) over the three year performance period, such that: <ul style="list-style-type: none"> - < the Index return - 0% vesting; - = the Index return - 50% vesting; - Between the Index return and Index + 5.5% - a prorated number will vest; - = or > Index return + 5.5% - 100% vesting.
Why choose this performance condition?	TSR is a measure of the return to shareholders over a period of time through the change in share price and any dividends paid over that time. The dividends are notionally reinvested to perform the calculation. Beach chose this performance condition to align senior executive remuneration with increased shareholder value. The Board has reinforced that alignment by imposing two more conditions. First, the Board sets a threshold level for the executive to meet before making an award. Secondly, the Board will not make an award if Beach's TSR is negative.
Is shareholders equity diluted when shares are issued on vesting of performance rights or exercise of options?	The Board has not imposed dilution limits due to the structure of the LTI plan and the number of rights on issue. Any dilution would be minimal. If all the current performance rights vested at 30 June 2020, shareholders equity would have diluted by 0.27% (FY19 - 0.34%). It has been the practice of the Board when there is an entitlement to shares on vesting of performance rights to issue new shares. There is provision for the buying of shares on market if the Board considers that dilution of shareholder equity may be material.
What happens to LTI performance rights on a change of control?	The Board reserves the discretion for early vesting in the event of a change of control of the Company. Adjustments to a participant's entitlements may also occur in the event of a company reconstruction and certain share issues.

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

Details	2016, 2017, 2018 and 2019 Performance Rights
Type of grant	Performance rights
Calculation of grant limits for senior executives	Max LTI is 100% of Total Fixed Remuneration (TFR) for CEO Max LTI is 50% of TFR for other senior executives
Grant date	2019 Performance Rights 19 Dec 2019 2018 Performance Rights 14 Dec 2018 2017 Performance Rights 1 Dec 2017/9 April 2018 2016 Performance Rights 1 Dec 2016/21 February 2017
Issue price of performance rights	Granted at no cost to the participant
Performance period	2019 Performance Rights 1 Dec 2019 - 30 Nov 2022 2018 Performance Rights 1 Dec 2018 - 30 Nov 2021 2017 Performance Rights 1 Dec 2017 - 30 Nov 2020 2016 Performance Rights 1 Dec 2016 - 30 Nov 2019
Expiry/lapse	Performance rights lapse if vesting does not occur on testing of performance condition
Expiry date	2019 Performance Rights 30 Nov 2024 2018 Performance Rights 30 Nov 2023 2017 Performance Rights 30 Nov 2022 2016 Performance Rights 30 Nov 2021
Exercise price on vesting	Not applicable - provided at no cost
What is received upon vesting and exercise?	One ordinary share in Beach for every performance right
Status	2019 Performance Rights In progress 2018 Performance Rights In progress 2017 Performance Rights In progress 2016 Performance Rights Testing completed. Resulted in full vesting of performance rights.

Details of LTI performance rights issued or in operation in FY20

The fair value of services received in return for LTI performance rights (see Table 13) granted is measured by reference to the fair value of LTI performance rights granted calculated using the Binomial or Black-Scholes Option Pricing Models. The estimate of the fair value of the services received for the LTI performance rights and options issued are measured with reference to the expected outcome, which may include the use of a Monte Carlo simulation. The contractual life of the LTI performance rights is used as an input into this model. Expectations of early exercise are incorporated into a Monte Carlo simulation method where applicable. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the rights or options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate is based on Commonwealth Government bond yields relevant to the term of the performance rights.

Employment agreements – senior executives

The senior executives have employment agreements with Beach.

The provisions relating to duration of employment, notice periods and termination entitlements of the senior executives are as follows:

Managing Director and Chief Executive Officer

The CEO's employment agreement commenced with effect 2 May 2016 and is ongoing until terminated by either Beach or Mr Kay on six months' notice. Beach may terminate the CEO's employment at any time for cause (for example, for serious breach) without notice. In certain circumstances Beach may terminate the employment on notice of not less than three months for issues concerning the CEO's performance that have not been satisfactorily addressed.

Other senior executives

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

Details of total remuneration for KMP calculated as required under the Corporations Act for FY19 and FY20

Legislative and IFRS reported remuneration for KMP

Details of the remuneration package by value and by component for senior executives in the reporting period and the previous period are set out in Table 8. These details differ from the actual payments made to senior executives for the reporting period that are set out in Table 1.

Table 8: Senior executives' remuneration for FY19 and FY20 as required under the Corporations Act

Name	Year	Short Term Employee Benefits			Share based payments ⁽³⁾		Other long term benefits		Total at risk %	Total issued in equity %
		Fixed Remuneration ⁽¹⁾ \$	Annual Leave ⁽⁵⁾ \$	STI ⁽²⁾	LTI Rights \$	STI Rights \$	Long Service Leave ⁽⁵⁾ \$	Total \$		
M V Kay	2020	1,266,000	35,358	143,808	658,367	502,645	(5,227)	2,600,951	50	45
	2019	1,201,357	25,662	580,447	535,859	527,586	22,054	2,892,965	58	37
M Engelbrecht	2020	597,886	(3,439)	44,388	165,574	109,380	(2,231)	911,558	35	30
	2019	546,262	20,441	114,293	132,817	116,260	4,069	934,142	39	27
G J Barker	2020	486,591	10,577	28,243	140,167	82,760	(2,277)	746,061	33	30
	2019	471,343	(265)	99,819	88,984	56,855	1,304	718,040	34	20
L Marshall	2020	546,591	393	33,498	142,172	86,050	(2,277)	806,427	32	28
	2019	577,050	331	99,819	90,988	59,476	1,304	828,968	30	18
J L Schrull	2020	532,950	28,252	36,690	139,631	95,198	(1,924)	830,797	32	28
	2019	482,124	19,378	100,881	97,273	89,584	2,978	792,218	37	24
Former Senior Executives										
D. Summers ⁽⁴⁾	2020	586,132	(12,726)	-	(180,191)	(72,547)	(22,983)	297,685	n/a	n/a
	2019	690,201	(5,173)	144,419	130,283	81,789	9,569	1,051,088	35	20
TOTAL	2020	4,016,150	58,415	286,627	1,065,720	803,486	(36,919)	6,193,479	34	30
	2019	3,968,337	60,374	1,139,678	1,076,204	931,550	41,278	7,217,421	44	28

(1) Fixed remuneration comprises base salary and superannuation and ad hoc payments treated as remuneration including retention payments, relocation and vehicle allowances where applicable.

(2) This amount represents the cash portion of the STI for FY20, which are expected to be paid in October 2020.

(3) In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The fair value of equity instruments are determined as at the grant date and then progressively expensed over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the rights vest. The fair value of the rights as at the date of their grant has been determined in accordance with principles set out in Note 4 to the Financial Statements.

(4) Ms Summers ceased to be a KMP on 30 April 2020. FY20 figures for Ms Summers are for the period 1 July 2019 to 30 April 2020.

(5) This amount represents the movement in the relevant leave entitlement provision during the year. In respect of long service leave, the probability weighting for employees with less than 7 years service has been reduced during FY20 to better align with Beach's current average workplace tenure which has resulted in a reduction in the provision for all KMP.

Remuneration policy for non-executive directors

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

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

Following a benchmarking analysis against Beach's peers, the board approved an increase to board fees effective 1 July 2019. The benchmarking analysis was conducted by comparing Beach non-executive director fees to those of a peer group comprising 24 ASX-listed companies of similar size. Beach's market capitalisation was at the 49th percentile of the peer group. The analysis showed Beach's base board fees for non-executive directors were at the 11th percentile of the comparator group, and Beach's base board fee for the Chairman was at the 7th percentile of the comparator group. As a consequence, the Chair's fee was increased by \$30,000 per annum, the deputy chair's fee was aligned with the base board fee and the base board fee was increased by \$12,500 per annum to ensure Beach will be able to attract and retain quality board candidates. There was no increase to board committee fees.

The remuneration of Beach non-executive directors remains within the aggregate annual limit of \$1,500,000 approved by shareholders at the 2016 annual general meeting.

The remuneration for non-executive directors comprises directors' fees, board committee fees and superannuation contributions to meet Beach's statutory superannuation obligations.

Directors who perform extra services for Beach or make any special exertions on behalf of Beach may be remunerated for those services in addition to the usual directors' fees. Non-executive directors are also entitled to be reimbursed for their reasonable expenses incurred in the performance of their directors' duties.

Details of the fees payable to non-executive directors for Board and committee membership for FY20 are set out in Table 9.

Table 9: FY20 non-executive directors' fees and board committee fees per annum

Board ⁽¹⁾		Board Committee				Chairman Risk, Corporate Governance and Sustainability	Member Risk, Corporate Governance and Sustainability
Chairman/Deputy Chairman	Member	Chairman Audit	Member Audit	Chairman Remuneration and Nomination	Member Remuneration and Nomination		
\$	\$	\$	\$	\$	\$	\$	\$
305,000/122,500	122,500	25,000	15,000	25,000	15,000	25,000	15,000

(1) The Chairman does not receive additional fees for committee work. The fees shown are inclusive of the statutory superannuation contribution.

Table 10: Non-executive directors' remuneration for FY19 and FY20

Name	Year	Directors Fees (inc committee fees) \$	Superannuation \$	Total \$
G S Davis ⁽¹⁾	2020	305,000	-	305,000
	2019	275,000	-	275,000
P J Bainbridge ⁽²⁾	2020	134,703	12,797	147,500
	2019	131,589	12,501	144,090
C D Beckett ⁽³⁾	2020	155,451	7,049	162,500
	2019	147,032	13,968	161,000
S G Layman ⁽⁴⁾	2020	134,703	12,797	147,500
	2019	35,160	3,340	38,500
P S Moore ⁽⁵⁾	2020	139,269	13,231	152,500
	2019	127,854	12,146	140,000
J C Morton ⁽⁶⁾	2020	131,535	5,965	137,500
	2019	123,288	11,712	135,000
R J Richards ⁽⁷⁾	2020	125,571	11,929	137,500
	2019	114,155	10,845	125,000
R K Stokes ⁽⁸⁾	2020	131,535	5,965	137,500
	2019	114,155	10,845	125,000
J D McKerlie ⁽⁹⁾	2020	-	-	-
	2019	45,403	4,313	49,716
Total	2020	1,257,767	69,733	1,327,500
	2019	1,113,636	79,670	1,193,306

(1) No superannuation contributions were made on behalf of Mr Davis. Director's fees for Mr Davis are paid to a related entity. Mr Davis does not receive additional fees for committee work.

(2) Mr Bainbridge is chair of the Risk, Corporate Governance and Sustainability Committee.

(3) Mr Beckett is Deputy Chairman and chair of the Remuneration and Nomination Committee. He is a member of the Risk, Corporate Governance and Sustainability Committee.

(4) Ms Layman is chair of the Audit Committee.

(5) Dr Moore is a member of both the Risk, Corporate Governance and Sustainability Committee and the Remuneration and Nomination Committee.

(6) Ms Morton is a member of the Audit Committee.

(7) Mr Richards is a member of the Audit Committee.

(8) Mr Stokes is a member of the Remuneration and Nomination Committee.

(9) Mr McKerlie retired as a director on 23 November 2018. Until his retirement he was a member of the Audit Committee.

Other KMP disclosures

The following three tables show the movements during the reporting period in shares and performance rights over ordinary shares in the Company held directly, indirectly or beneficially by each KMP and their related entities.

Performance rights held by KMP

The following table details the movements during the reporting period in performance rights over ordinary shares in the Company held directly, indirectly or beneficially by each KMP and their related entities.

Table 11: Movements in performance rights held by key management personnel

Rights	Opening balance	Granted	Rights vested/ exercised	Other ⁽¹⁾	Closing balance
MD & CEO					
M V Kay	3,187,585	828,636	(1,450,639)	-	2,565,582
Senior executives					
M Engelbrecht	848,731	184,603	(398,391)	-	634,943
G J Barker	390,400	153,729	(8,199)	-	535,930
L Marshall	402,301	153,729	(10,389)	-	545,641
J L Schrull	741,799	163,490	(335,592)	-	569,697
Former senior executives					
D Summers ⁽²⁾	571,126	222,416	(12,118)	(781,424)	-
Total	6,141,942	1,706,603	(2,215,328)	(781,424)	4,851,793

(1) Relates to rights that did not vest due to performance conditions not being met and were forfeited during the year and changes resulting from individuals ceasing to be KMPs during the period.

(2) Ms Summers ceased being a KMP on 30 April 2020. Subsequently, 781,424 rights were cancelled.

The following table details the movements during the reporting period in ordinary shares in the Company held directly, indirectly or beneficially by each KMP and their related entities.

Table 12: Shareholdings of key management personnel

Ordinary Shares	Opening balance	Purchased	Sold	Issued upon the conversion of performance rights	Other ⁽¹⁾	Closing balance
Directors						
G S Davis	218,226	25,000	-	-	-	243,226
P J Bainbridge	118,090	-	-	-	-	118,090
C D Beckett	77,694	39,000	(35,000)	-	-	81,694
S G Layman	-	-	-	-	-	-
P S Moore	44,200	-	-	-	-	44,200
J C Morton	50,000	22,000	(22,000)	-	-	50,000
R J Richards	229,443	-	(41,390)	-	-	188,053
R K Stokes	-	-	-	-	-	-
MD & CEO						
M V Kay	2,212,577	-	-	1,450,639	-	3,663,216
Senior executives						
M Engelbrecht	65,243	-	(58,000)	398,391	-	405,634
G J Barker	30,000	-	-	8,199	-	38,199
L Marshall	-	-	-	10,389	-	10,389
J L Schrull	35,418	-	-	335,592	-	371,010
Former senior executives						
D Summers	-	-	-	12,118	(12,118)	-
Total	3,080,891	86,000	(156,390)	2,215,328	(12,118)	5,213,711

(1) Relates to changes resulting from individuals ceasing to be KMPs during the period.

Specific details of the number of LTI and STI performance rights granted, vested/exercised and lapsed in FY20 for KMP are set out in Table 13.

Table 13: Details of LTI and STI Performance Rights

Name	Date of grant	Performance rights on issue at 30 June 2019	Fair Value \$	Granted	Vested/ Exercised	Lapsed	Performance rights on issue at 30 June 2020	Date performance rights vest and become exercisable
M V Kay	1 Dec 2016	1,049,112	0.4667	-	(1,049,112)	-	-	1 Dec 2019
	1 Dec 2017	295,397	1.1117	-	(295,397)	-	-	1 Jul 2019
	1 Dec 2017	849,057	0.6161	-	-	-	849,057	1 Dec 2020
	6 Dec 2018	106,130	1.5559	-	(106,130)	-	-	1 Jul 2019
	6 Dec 2018	106,130	1.5314	-	-	-	106,130	1 Jul 2020
	14 Dec 2018	781,759	1.0181	-	-	-	781,759	1 Dec 2021
	19 Dec 2019	-	2.5500	148,909	-	-	148,909	1 Jul 2020
	19 Dec 2019	-	2.5300	148,909	-	-	148,909	1 Jul 2021
	19 Dec 2019	-	1.4600	530,818	-	-	530,818	1 Dec 2022
Total		3,187,585		828,636	(1,450,639)	-	2,565,582	
Total (\$)				1,531,452	983,141	-		
M Engelbrecht	1 Dec 2016	304,879	0.4667	-	(304,879)	-	-	1 Dec 2019
	1 Dec 2017	65,244	1.1117	-	(65,244)	-	-	1 Jul 2019
	1 Dec 2017	247,642	0.6161	-	-	-	247,642	1 Dec 2020
	6 Dec 2018	28,268	1.5559	-	(28,268)	-	-	1 Jul 2019
	6 Dec 2018	28,268	1.5314	-	-	-	28,268	1 Jul 2020
	14 Dec 2018	174,430	1.0181	-	-	-	174,430	1 Dec 2021
	19 Dec 2019	-	2.5500	29,321	-	-	29,321	1 Jul 2020
	19 Dec 2019	-	2.5300	29,321	-	-	29,321	1 Jul 2021
	19 Dec 2019	-	1.4600	125,961	-	-	125,961	1 Dec 2022
Total		848,731		184,603	(398,391)	-	634,943	
Total (\$)				332,854	258,801	-		
D Summers	9 Apr 2018	320,960	0.7997	-	-	(320,960)	-	1 Dec 2020
	6 Dec 2018	12,118	1.5559	-	(12,118)	-	-	1 Jul 2019
	6 Dec 2018	12,119	1.5314	-	-	(12,119)	-	1 Jul 2020
	14 Dec 2018	225,929	1.0181	-	-	(225,929)	-	1 Dec 2021
	19 Dec 2019	-	2.5500	37,050	-	(37,050)	-	1 Jul 2020
	19 Dec 2019	-	2.5300	37,049	-	(37,049)	-	1 Jul 2021
	19 Dec 2019	-	1.4600	148,317	-	(148,317)	-	1 Dec 2022
	Total		571,126		222,416	(12,118)	(781,424)	-
Total (\$)				404,754	18,854	910,003		

Name	Date of grant	Performance rights on issue at 30 June 2019	Fair Value \$	Granted	Vested/ Exercised	Lapsed	Performance rights on issue at 30 June 2020	Date performance rights vest and become exercisable
L Marshall	9 Apr 2018	225,365	0.7997	-	-	-	225,365	1 Dec 2020
	6 Dec 2018	10,389	1.5559	-	(10,389)	-	-	1 Jul 2019
	6 Dec 2018	10,390	1.5314	-	-	-	10,390	1 Jul 2020
	14 Dec 2018	156,157	1.0181	-	-	-	156,157	1 Dec 2021
	19 Dec 2019	-	2.5500	25,608	-	-	25,608	1 Jul 2020
	19 Dec 2019	-	2.5300	25,607	-	-	25,607	1 Jul 2021
	19 Dec 2019	-	1.4600	102,514	-	-	102,514	1 Dec 2022
Total		402,301		153,729	(10,389)	-	545,641	
Total (\$)				279,757	16,164	-		
G J Barker	9 Apr 2018	217,845	0.7997	-	-	-	217,845	1 Dec 2020
	6 Dec 2018	8,199	1.5559	-	(8,199)	-	-	1 Jul 2019
	6 Dec 2018	8,199	1.5314	-	-	-	8,199	1 Jul 2020
	14 Dec 2018	156,157	1.0181	-	-	-	156,157	1 Dec 2021
	19 Dec 2019	-	2.5500	25,608	-	-	25,608	1 Jul 2020
	19 Dec 2019	-	2.5300	25,607	-	-	25,607	1 Jul 2021
	19 Dec 2019	-	1.4600	102,514	-	-	102,514	1 Dec 2022
Total		390,400		153,729	(8,199)	-	535,930	
Total (\$)				279,757	12,757	-		
J L Schrull	21 Feb 2017	275,843	0.2177	-	(275,843)	-	-	1 Dec 2019
	1 Dec 2017	35,418	1.1117	-	(35,418)	-	-	1 Jul 2019
	1 Dec 2017	224,057	0.6161	-	-	-	224,057	1 Dec 2020
	6 Dec 2018	24,331	1.5559	-	(24,331)	-	-	1 Jul 2019
	6 Dec 2018	24,332	1.5314	-	-	-	24,332	1 Jul 2020
	14 Dec 2018	157,818	1.0181	-	-	-	157,818	1 Dec 2021
	19 Dec 2019	-	2.5500	25,880	-	-	25,880	1 Jul 2020
	19 Dec 2019	-	2.5300	25,880	-	-	25,880	1 Jul 2021
	19 Dec 2019	-	1.4600	111,730	-	-	111,730	1 Dec 2022
Total		741,799		163,490	(335,592)	-	569,697	
Total (\$)				294,596	137,282	-		

Looking ahead – Remuneration and related issues for 2021

Employee Engagement

The 2020 Employee Engagement and Enablement survey resulted in significant improvements across all areas at Beach. Of note was the recognition by our employees that Beach demonstrates a clear vision and future to our people, Beach demonstrates care and concern and our leaders provide ongoing leadership and coaching on the job to support employees in their role and build their career at Beach. The results are particularly pleasing given the focus on driving Leadership for High Performance and Coaching for Performance programs across the organisation during the previous year.

Values led leadership is fundamental to Beach's culture and the achievement of our goals. A new values-based recognition program has been implemented that drives the importance of a continuous improvement mindset and that our values and behaviours are of the utmost importance in everything we do.

Competency and Career Development

Beach continues to build technical excellence by embedding a globally benchmarked Technical Competency Framework with supporting training and development opportunities for its technical community. Throughout FY21 the competency frameworks will be expanded further to include all leadership roles and incorporate the Beach Leadership expectations. In addition, Beach has launched 534 e-learning and webinar modules since February, across technical, leadership and personal development areas to support our employees develop in a self-paced manner. This supports career pathways, development and ongoing growth of competency and capability.

Wellbeing and Resilience

Beach has long maintained a focus on workforce wellbeing and resilience, however, with the COVID-19 situation unfolding in 2020 the level of support to our workforce increased significantly. Modules were rapidly and effectively developed in-house to support remote working, leading virtual teams, managing personal anxiety and staying both physically and mentally healthy during uncertain times. This increased level of support will continue throughout the FY21 year.

Temporary reduction of senior executive fees

All senior executives, including KMPs as at 1 July 2020 have agreed to a 10% reduction to their base annual remuneration for a period of 6 months commencing on 1 July 2020 and ceasing on 31 December 2020. At the completion of this period, senior executives' remuneration will revert to the currently agreed rate of remuneration.

Temporary reduction of non-executive director fees

The directors agreed to a 10% reduction in the total remuneration payable to each of the non-executive directors for a period of 6 months commencing on 1 July 2020 and ceasing on 31 December 2020. At the completion of this period, non-executive directors' fees will revert to the currently agreed rate of remuneration.

Directors' Declaration

- (1) In the directors' opinion:
- (a) the financial statements and notes set out on pages 74 to 124 are in accordance with the Corporations Act 2001, including:
 - (i) complying with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (b) there are reasonable grounds to believe that Beach will be able to pay its debts as and when they become due and payable.
- (2) The attached financial statements are in compliance with International Financial Reporting Standards, as noted in the Basis of Preparation which forms part of the financial statements.
- (3) At the time of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 22 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 22.
- (4) The directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001 on behalf of the directors.



G S Davis
Chairman

Adelaide
17 August 2020

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2020

	Note	Consolidated	
		2020 \$million	2019 \$million
Revenue	2(a)	1,728.2	2,077.7
Cost of sales	3(a)	(1,056.7)	(1,207.4)
Gross profit		671.5	870.3
Other income	2(b)	76.6	41.8
Other expenses	3(b)	(41.0)	(43.6)
Operating profit before financing costs		707.1	868.5
Interest income	15	2.0	3.9
Finance expenses	15	(16.0)	(62.0)
Profit before income tax expense		693.1	810.4
Income tax expense	5	(192.3)	(233.1)
Net profit after tax		500.8	577.3
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
FCTR release on cessation/disposal of overseas operations	25	(8.7)	(7.0)
Net change in hedging reserve		-	14.4
Net loss on translation of foreign operations		(4.9)	(2.1)
Tax effect relating to components of other comprehensive income	5	-	(4.3)
Other comprehensive income/(loss), net of tax		(13.6)	1.0
Total comprehensive income after tax		487.2	578.3
Basic earnings per share (cents per share)	6	21.97¢	25.35¢
Diluted earnings per share (cents per share)	6	21.92¢	25.28¢

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020

		Consolidated	
	Note	2020 \$million	2019 \$million
Current assets			
Cash and cash equivalents	16	109.9	171.9
Receivables	17	215.8	284.9
Inventories	7	106.9	99.5
Contract assets		16.0	14.1
Assets held for sale	25	-	6.7
Other		59.0	21.4
Total current assets		507.6	598.5
Non-current assets			
Property, plant and equipment	8	34.2	26.8
Petroleum assets	9	2,986.5	2,726.7
Exploration and evaluation assets	10	462.4	355.3
Goodwill	26	57.1	57.1
Deferred tax assets	5	33.6	79.8
Lease assets	13	58.7	-
Contract assets		49.3	59.6
Other		25.8	10.1
Total non-current assets		3,707.6	3,315.4
Total assets		4,215.2	3,913.9
Current liabilities			
Payables	17	276.4	324.4
Provisions	12	30.9	25.4
Current tax liabilities		86.4	201.4
Lease liabilities	13	26.8	-
Contract liabilities		35.7	60.6
Liabilities associated with assets held for sale	25	-	1.5
Total current liabilities		456.2	613.3
Non-current liabilities			
Payables	17	5.6	6.3
Provisions	12	798.9	842.8
Interest bearing liabilities	15	56.7	-
Deferred tax liabilities	5	30.2	35.1
Lease liabilities	13	35.3	-
Contract liabilities		12.5	42.0
Total non-current liabilities		939.2	926.2
Total liabilities		1,395.4	1,539.5
Net assets		2,819.8	2,374.4
Equity			
Contributed equity	18	1,861.2	1,860.6
Reserves	19	911.9	167.9
Retained earnings		46.7	345.9
Total equity		2,819.8	2,374.4

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2020

	Note	Contributed equity \$million	Retained earnings/ (accumulated losses) \$million	Share based payment reserve \$million	Foreign currency translation reserve \$million	Profit distribution reserve \$million	Hedging reserve \$million	Total \$million
Balance as at 30 June 2018		1,859.1	(231.4)	30.6	17.4	172.4	(10.1)	1,838.0
Profit for the year		-	577.3	-	-	-	-	577.3
Other comprehensive income/(loss)		-	-	-	(9.1)	-	10.1	1.0
Total comprehensive income/(loss) for the year		-	577.3	-	(9.1)	-	10.1	578.3
Transactions with owners in their capacity as owners:								
Shares issued during the year	18	1.5	-	-	-	-	-	1.5
Final dividend paid	20	-	-	-	-	(22.8)	-	(22.8)
Interim dividend paid	20	-	-	-	-	(22.8)	-	(22.8)
Increase in share based payments reserve		-	-	2.2	-	-	-	2.2
Transactions with owners		1.5	-	2.2	-	(45.6)	-	(41.9)
Balance as at 30 June 2019		1,860.6	345.9	32.8	8.3	126.8	-	2,374.4
Profit for the year		-	500.8	-	-	-	-	500.8
Other comprehensive income/(loss)		-	-	-	(13.6)	-	-	(13.6)
Total comprehensive income/(loss) for the year		-	500.8	-	(13.6)	-	-	487.2
Transactions with owners in their capacity as owners:								
Shares issued during the year	18	1.3	-	-	-	-	-	1.3
Shares purchased on market, net of tax (Treasury shares)	18	(0.7)	-	-	-	-	-	(0.7)
Final dividend paid	20	-	-	-	-	(22.8)	-	(22.8)
Interim dividend paid	20	-	-	-	-	(22.8)	-	(22.8)
Transfer to profit distribution reserve		-	(800.0)	-	-	800.0	-	-
Increase in share based payments reserve		-	-	3.2	-	-	-	3.2
Transactions with owners		0.6	(800.0)	3.2	-	754.4	-	(41.8)
Balance as at 30 June 2020		1,861.2	46.7	36.0	(5.3)	881.2	-	2,819.8

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2020

		Consolidated	
	Note	2020 \$million	2019 \$million
Cash flows from operating activities			
Receipts from customers and other		1,913.2	2,179.6
Payments to suppliers and employees		(761.7)	(948.0)
Payments for restoration		(7.9)	(16.6)
Interest received		2.2	4.1
Financing costs		(7.2)	(31.1)
Derivative payments		-	(18.7)
Income tax paid		(264.7)	(131.1)
Net cash provided by operating activities	16	873.9	1,038.2
Cash flows from investing activities			
Payments for property, plant and equipment		(10.9)	(28.1)
Payments for petroleum assets		(643.1)	(353.6)
Payments for exploration and evaluation assets		(266.1)	(97.6)
Proceeds from government grants		11.3	-
Proceeds on sale of joint operations interests	25	8.9	262.4
Proceeds from sale of non-current assets		0.7	21.2
Payments received for future restoration liabilities		-	11.3
Acquisition of exploration tenements		-	(3.2)
Net cash used in investing activities		(899.2)	(187.6)
Cash flows from financing activities			
Proceeds from borrowings	16	225.0	-
Repayment of borrowings	16	(165.0)	(950.0)
Payment of the principal portion of lease liabilities		(54.2)	-
Proceeds from employee incentive loans		1.4	1.5
Payment for shares purchased on market (Treasury shares)		(1.0)	-
Dividends paid		(45.6)	(45.5)
Net cash used in financing activities		(39.4)	(994.0)
Net decrease in cash held		(64.7)	(143.4)
Cash at beginning of financial year		171.9	311.2
Effects of exchange rate changes on the balances of cash held in foreign currencies		2.7	4.1
Cash at end of financial year		109.9	171.9

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements for the financial year ended 30 June 2020

Basis of preparation

This section sets out the basis upon which the Group's (comprising Beach and its subsidiaries) financial statements are prepared as a whole. Significant accounting policies and key judgements and estimates of the Group that summarise the measurement basis used and assist in understanding the financial statements are described in the relevant note to the financial statements or are otherwise provided in this section.

Beach Energy Limited (Beach) is a for profit company limited by shares, incorporated in Australia and whose shares are publicly listed on the Australian Securities Exchange (ASX). The nature of the Group's operations are described in the segment note. The consolidated general purpose financial report of the Group for the financial year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 17 August 2020.

This general purpose financial report:

- Has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.
- Has been prepared on a going concern and accruals basis and is based on the historical cost convention, except for derivative financial instruments, debt and equity financial assets, and contingent consideration that have been measured at fair value. Refer to COVID-19 estimation uncertainty below for further information in relation to the going concern basis of preparation.
- Is presented in Australian dollars with all amounts rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investment Commission.
- Has been prepared by consistently applying all accounting policies to all the financial years presented, unless otherwise stated.
- The consolidated financial statements provide comparative information in respect of the previous period. Where there has been a change in the classification of items in the financial statements for the current period, the comparative for the previous period has been reclassified to be consistent with the classification of that item in the current period.

Notes to the financial statements

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

Key judgements and estimates

In the process of applying the Group's accounting policies, management has had to make judgements, estimates and assumptions about future events that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates and in the current year these estimates and judgements incorporate the impact of uncertainties associated with COVID-19 as outlined below. The reasonableness of these estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are found in the following notes:

Note 2 - Revenue from contracts with customers

Note 5 - Taxation

Note 8 - Property, plant and equipment

Note 9 - Petroleum assets

Note 10 - Exploration and evaluation assets

Note 11 - Interests in joint operations

Note 12 - Provisions

Note 13 - Leases

COVID-19 financial impacts

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. With current and expected impacts on the global economy there has been significant volatility in commodity and foreign exchange markets with some restrictions to the movement of people and goods within both Australia and overseas and there remains ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the petroleum products the Group produces and on global financial markets.

Since then the Group has taken certain measures to reduce operating expenditures and work programs including the deferral of capital expenditure for FY21. These measures, combined with commodity market fluctuations resulting from COVID-19, impacted our financial results and may continue to have an impact on our results and liquidity levels for some time.

In February 2020, the Group activated its Crisis Management Team (CMT) in response to COVID-19 before it was officially declared a pandemic. COVID-19 plans were put in place at all offices and operational sites including hygiene, social distancing, case management, isolation, evacuation and assurance protocols and working from home for non-essential staff to ensure the safety of our people and that the Group's operations could safely continue their sustainable delivery of energy for communities which was deemed an essential service by government. Notwithstanding these arrangements, the Group's current year results were impacted in multiple ways relating to the movement of staff and contractors to and from our operational sites, reducing activity levels, delays to new well connections, and other elements of the Group's capital work program relating to the timely delivery of equipment and other supplies and the extent of the program being completed. These incremental costs have been fully reflected in the financial results of the company as presented in these financial statements.

The Group was eligible for deferral of certain government tax payments with income tax, employee PAYG withholding payments and SA payroll tax deferred from April 2020. Up to 30 June 2020, a total of \$44.1million in payments have been deferred which are payable between September and October 2020.

Up to 30 June 2020, redundancy costs of approximately \$2 million have been incurred as the Group has deferred part of its capital program and worked to reduce its operating costs in response to the financial impacts of COVID-19 on the business.

Despite lower gas demand and Brent oil prices falling to unprecedented lows in March 2020, the Group's response to COVID-19 ensured minimal impact to production and sales volumes through the remainder of FY20. Revenues recorded through to 30 June 2020 were impacted by lower oil prices, which also flowed through to prices for gas liquids. The market prices of both oil and gas liquids have since come off these lows.

The table below shows Group's sales volumes, sales revenue and average realised prices before (July 2019 - February 2020) and after (March - June 2020) the COVID-19 impact. Note that oil revenue and realised prices for the period March 2020 - June 2020 includes the impact of the fall in oil prices on the revaluation of provisionally priced sales.

Sales volumes by product

		FY20 Jul - Feb	FY20 Mar - Jun	FY20 Full year
Oil (kbbbl)	Own Product	5,452	3,127	8,579
	Third Party	686	387	1,073
	Total Oil	6,138	3,514	9,652
Sales Gas and Ethane (PJ)	Own Product	54.8	27.4	82.2
	Third Party	0.3	0.4	0.7
	Total Gas	55.1	27.8	82.9
LPG (kt)	Own Product	127	84	211
	Third Party	1	2	3
	Total LPG	128	86	214
Condensate (kbbbl)	Own Product	1,352	720	2,066
	Third Party	2	1	9
	Total Condensate	1,354	721	2,075
Total (kboe)		17,959	9,702	27,661
Total - Own Product (kboe)		17,216	9,223	26,444
Total - Third Party (kboe)		743	469	1,217

Basis of preparation (continued)**COVID-19 financial impacts** (continued)

Revenue (\$ million)

	FY20 Jul - Feb	FY20 Mar - Jun	FY20 Full year
Oil	640	141	781
Sales Gas and Ethane	397	208	605
LPG	76	43	119
Condensate	116	29	145
Total Sales Gas and Gas Liquids	589	280	869
Total oil and gas	1,229	421	1,650
Total - Own Product	1,150	407	1,557
Total - Third Party	79	14	93

Average realised price

	FY20 Jul - Feb	FY20 Mar - Jun	FY20 Full year
All products (\$/boe)	68.4	43.5	59.7
Oil (\$/bbl)	104.2	40.3	80.9
Sales Gas and Ethane (\$/GJ)	7.2	7.5	7.3
LPG (\$/t)	591	506	557
Condensate (\$/bbl)	85.9	40.0	70.0

Sales Gas and ethane sales volumes represented greater than 50% of the Group's total oil and gas sales volumes for FY20 with sales gas primarily being sold into term contracts with fixed and/or CPI linked prices or oil-linked prices with downside protection when oil prices are low. The Group also has minimal spot gas price exposure with more than 97% of East Coast gas sales expected to be sold under term contracts in FY21 and FY22. In contrast, the Group's sales of crude oil, liquefied natural gas, ethane, condensate, and LPG are based on market prices which are subject to fluctuation.

Going concern

The Group ended FY20 with \$110 million in cash, drawn debt of \$60 million and net working capital of \$51 million (current assets less current liabilities). Available liquidity was \$500 million, comprising \$110 million in cash and \$390 million in undrawn debt facilities.

Guidance for Underlying EBITDA of \$900-1,000 million and Capital expenditure of \$650-750 million was released to the market for FY21 on 17 August 2020 in line with the Board approved plan for FY21.

Management has prepared cash flow forecast scenarios that represent reasonably possible downside scenarios relating to the business from potential economic scenarios arising from the COVID-19 pandemic over the next 12 months, which have been reviewed by the directors. These forecasts demonstrate that the Group has sufficient cash, other liquid resources and undrawn credit facilities to enable the Group to meet its obligations as they fall due. As such the directors considered it appropriate to adopt the going concern basis of accounting in preparing the full year financial statements.

Impairment

As disclosed in the basis of preparation to the financial statements, there is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impact that it may have on demand and prices for the petroleum products the Group produces, on global financial markets and in the responses the Group makes to manage the business. This leads to significant uncertainty in the impairment considerations made by the Group.

The Group has taken actions to respond to the oil price downturn targeting a deferral of up to 30% of FY21 capital expenditure from prior expectations with capital reductions anticipated across all basins. FY21 capital investment is being targeted on the highest quality investment opportunities with fastest payback and further operating cost reductions are being progressed.

The Group owns a diversified portfolio of producing assets across 5 basins in Australia and New Zealand. Operated Western Flank oil assets are high margin with current field operating costs of less than A\$5/bbl. Gas assets mainly acquired through the Lattice acquisition transformed Beach into a material supplier of gas to east coast markets with gas primarily being sold into term contracts with fixed and/or CPI linked prices or oil-linked prices with downside protection when oil prices are low, and with minimal spot gas price exposure as more than 97% of East Coast gas sales expected to be sold under term contracts in FY21 and FY22.

The Group have assessed the potential impact of the current oil and gas price environment, amended capital program and the five year Board approved operational plans on the carrying value of its production and exploration assets. Given the quality of the underlying assets and the carrying value of these assets, with the exception of the Taranaki Basin where exploration and impairment costs of \$1.6 million were expensed during the year, there was no further impact to the carrying value of these production and exploration assets which continue to be carried at cost, net of impairments taken in previous reporting periods. Whilst normal financial disclosures on the estimation uncertainty relating to asset carrying values are disclosed in Notes 9 and 10, in concluding on the company's asset values in the current economic and health climate, the Group make the following additional disclosure of information which was relevant to the impairment consideration in FY20 with no impairment being recognised on producing assets.

With respect to assets currently in production, from a quantitative perspective:

- The assumptions made by the Group in performing its impairment considerations, reflect conditions existing at 30 June 2020 and the directors best estimates of future performance, including the impact of COVID-19, made as of that date.
- The Group's Operated Western Flank oil assets are high margin with current field operating costs of less than A\$5/bbl.
- The Group's gas assets are currently primarily selling into term contracts with fixed and/or CPI linked prices or oil-linked prices with downside protection when oil prices are low. This can be seen in the sales gas prices realised for the last 4 months of FY20 which have been minimally impacted by COVID-19.
- The Group's oil price assumptions have been reduced for asset impairment testing consistent with independent market consensus forecasts as per the table below.

Impairment assessment	FY20	FY21	FY22	FY23+
FY20 – Oil Price \$US (real)/ bbl	n/a	41.25	52.50	60.00
FY19 – Oil Price \$US (real)/ bbl	62.50	70.00	70.00	70.00

- The Group has minimal spot gas price exposure with more than 97% of East Coast gas sales expected to be sold under contract in FY21 and FY22.
- 2P reserves increased by 8% from 326 MMboe to 352 MMboe for FY20, representing 214% organic 2P reserves replacement which is flowing through to increased production over asset lives. As a sensitivity, a further 20% reduction in commodity (oil and gas) price assumptions would reduce 2P reserves by less than 3% reflecting the high margins attributable to the Group's assets.
- Sales of contracted gas volumes are based on a combination of minimum contract quantities and projected customer nominations taking into consideration current market conditions. Sales of uncontracted gas volumes are based on current demand with supply shortfalls expected in future years in the markets the Group supplies.
- In the Eastern Australian Gas Market (EAGM) domestic demand remained low compared to previous years with demand dropping to the lowest levels in 5 years in April. Demand picked up dramatically in May (relative to previous years) due to a rapid rise in gas fired power generation and has further increased since then in line with seasonal peak winter demand. In March 2020, AEMO released the "2020 Gas Statement of Opportunities" and EnergyQuest released the "East Coast Gas Outlook to 2040" reports, with both reports asserting a view that the market will re-balance in the near-term. Both predict supply shortfalls in the EAGM by CY24/25. The Group has maintained its medium to long term base gas price assumption for uncontracted gas sales taking into account independent market consensus forecasts.
- Guidance for Underlying EBITDA of \$900-1,000 million and Capital expenditure of \$650-750 million was released to the market for FY21 on 17 August 2020 in line with the Board approved plan for FY21.

Basis of preparation (continued)

COVID-19 financial impacts (continued)

- Strategies to further reduce operating and capital costs including contract renegotiations, labour cost reductions and scope reviews are being progressed and have been factored into impairment modelling where savings have already been realised or where there is a high confidence of achieving them. All such plans have been approved by the Board and are in advanced stages of implementation.
- Impairment testing results reflect recoverable amounts that remain higher than current carrying values, demonstrating that price assumptions could be lowered further without causing any significant impairment.

With respect to the company's exploration assets:

- Rights to tenure and an active exploration program are in place for all the Group's current exploration areas of interest within the Cooper, Otway, Bass, Perth, Canterbury and Carnarvon basins but given the recent market downturn experienced both as a result of COVID-19 and the global fall in oil prices, some exploration activities have been deferred to FY22, with planning activities to continue in FY21 in line with the Board approved FY21 Budget exploration and appraisal program.

From a qualitative perspective the Group has a high quality collection of oil and gas assets and the Group is currently well positioned to manage the risks associated with COVID-19 conditions and sustain its operations through a low oil price environment with:

- Gas and ethane sales representing over 35% of sales revenue recorded in FY20 with gas sales alone covering all Group operating costs and stay in business costs.
- Investment flexibility within the asset portfolio. Major growth activity and lower priority capital has been deferred beyond FY21 and can be restarted quickly subject to market and COVID-19 conditions recovering.

Basis of consolidation

The consolidated financial statements are those of Beach and its subsidiaries (detailed in Note 21). Subsidiaries are those entities that Beach controls as it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In preparing the consolidated financial statements, all transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date Beach obtains control for acquisitions and the date Beach loses control for disposals, as applicable. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Foreign currency

Both the functional and presentation currency of Beach is Australian dollars. Some subsidiaries have different functional currencies which are translated to the presentation currency. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences that arise on the translation of monetary items that form part of the net investment in a foreign operation are recognised in equity in the consolidated financial statements. Revenues, expenses and equity items of foreign operations are translated to Australian dollars using the exchange rate at the date of transaction while assets and liabilities are translated using the rate at balance date with differences recognised directly in the Foreign Currency Translation Reserve.

Results for the year

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

1. Operating segments

The Group has identified its operating segments to be its 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 financial years ended 30 June 2020 and 30 June 2019 are set out as follows:

	SAWA		Victoria		New Zealand		Total	
	2020 \$million	2019 \$million	2020 \$million	2019 \$million	2020 \$million	2019 \$million	2020 \$million	2019 \$million
Segment revenue								
Revenue from external customers <i>During the year revenue from three customers amounted to \$1,231million (2019: \$1,053 million from two customers) arising from sales from SAWA and Victoria segments.</i>	1,288.1	1,304.6	222.3	446.8	139.9	174.0	1,650.3	1,925.4

2. Revenue from contracts with customers and other income

Revenue from contracts with customers is recognised in the income statement when the performance obligations are considered met, which is when control of the hydrocarbon products or services provided are transferred to the customer. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to, net of goods and services tax or similar taxes.

Product sales

Sales revenue is recognised using the "sales method" of accounting. The sales method results in revenue being recognised based on volumes sold under contracts with customers, at the point in time where performance obligations are considered met. Generally, regarding the sale of hydrocarbon products, the performance obligation will be met when the product is delivered to the specified measurement point (gas) or point of loading/unloading (liquids).

The Group's sales of crude oil, liquefied natural gas, ethane, condensate, LPG, and in some contractual arrangements, natural gas, are based on market prices. In contractual arrangements with market base pricing, at the time of the delivery, there is only a minimal risk of a change in transaction price to be allocated to the product sold. Accordingly, at the point of sale where there is not a significant risk of revenue reversal relative to the cumulative revenue recognised, there is no constraining of variable consideration.

Where the sales price is not final at the point the performance obligations are met, any subsequent measurement of these provisionally priced sales is not revenue from customers and has been recognised as other sales revenue.

Contract liabilities and contract assets

A contract liability for deferred revenue is recorded for obligations under sales contracts to deliver natural gas in future periods for which payment has already been received. Where the period between when payment is received and performance obligations are considered met, is more than 12 months, an assessment will be made for whether a significant financing component is required to be accounted for. Deferred revenue liabilities unwind as "revenue from contracts with customers", with reference to the performance obligation, and if a significant financing component associated with deferred revenue exists, an interest expense will also be recognised over the life of the contract.

On acquisition of the Lattice and Toyota Tsusho interests (refer note 26), pre-existing revenue contracts were fair valued, resulting in contract assets and liabilities being recognised. Both the contract assets and liabilities represent the differential in contract pricing and market price, and will be realised as performance obligations are considered met in the underlying revenue contract. To the extent a contract asset or liability represents the fair value differential between contract price and market price, it will be unwound through "other operating revenue or expense".

Net contract assets and liabilities have increased by \$46.0 million to \$17.1 million, with \$47.8 million included in other revenue, offset by \$0.5 million unwind of discount included in finance expenses and \$1.3 million included in FCTR.

2. Revenue from contracts with customers and other income (continued)**(a) Revenue**

	Consolidated	
	2020 \$million	2019 \$million
Crude oil ⁽¹⁾	818.7	779.3
Sales gas and ethane	604.8	755.6
Liquefied petroleum gas	119.1	170.6
Condensate	145.2	223.4
Gas and gas liquids	869.1	1,149.6
Revenue from contracts with customers	1,687.8	1,928.9
Crude oil – revaluation of provisionally priced sales	(37.5)	(3.5)
Sales Revenue ⁽²⁾	1,650.3	1,925.4
Other operating revenue	77.9	152.3
Total revenue	1,728.2	2,077.7

(1) Inclusive of realised hedge settlements and premiums paid of \$nil (FY19 \$16.4 million).

(2) Provisionally priced oil sales revenue recorded as a receivable at 30 June 2020 totalled \$89.1 million (FY19 \$94.5 million).

(b) Other income

	Consolidated	
	2020 \$million	2019 \$million
Gain on sale of joint operations interests (Note 25)	8.9	13.5
Gain on cessation/disposal of overseas operations (Note 25)	8.7	7.0
Gain on reversal of provision for onerous commitment	37.8	-
Gain on sale of non-current assets	0.6	-
Gain on derivative financial instruments	-	13.6
Other income related to joint venture lease recoveries	15.5	-
Government grants received	3.7	-
Foreign exchange gains	1.4	4.2
Other	-	3.5
Total other income	76.6	41.8

3. Expenses

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

(a) Cost of sales

	Consolidated	
	2020 \$million	2019 \$million
Operating costs	401.3	385.1
Royalties	124.3	155.9
Total operating costs	525.6	541.0
Depreciation and amortisation of petroleum assets (Note 9)	427.1	522.6
Depreciation of leased assets (Note 13)	17.8	-
Third party oil and gas purchases	93.0	139.3
Change in inventory	(6.8)	4.5
Total cost of sales	1,056.7	1,207.4

(b) Other expenses

	Consolidated	
	2020 \$million	2019 \$million
Impairment		
Impairment of exploration and evaluation assets (Note 10)	1.6	-
Total impairment expense	1.6	-
Other		
Exploration expense	20.7	-
Loss on sale of non-current assets	-	0.1
Depreciation of leased assets (Note 13)	3.5	-
Acquisition and integration costs (Note 26)	-	1.6
Corporate expenses ⁽ⁱ⁾	15.2	41.9
Other expenses	39.4	43.6
Total other expenses	41.0	43.6

(i) Includes depreciation of property, plant and equipment of \$6.5 million (FY19 \$3.9 million) as shown in Note 8, and share based payments expense of \$3.3 million (FY19 \$2.1 million).

4. Employee benefits

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

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

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

Equity settled compensation

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

The following employee shares are currently on issue	Number
Balance as at 30 June 2018	3,681,658
Loans repaid during 2019 financial year	(1,140,170)
Balance as at 30 June 2019	2,541,488
Loans repaid during 2020 financial year	(1,003,200)
Balance as at 30 June 2020	1,538,288

No new shares were issued to employees during the financial year, pursuant to this plan.

The closing ASX share price of Beach fully paid ordinary shares at 30 June 2020 was \$1.52 as compared to \$1.985 as at 28 June 2019.

Employee Share Plan - A new employee share plan was approved by shareholders during the year where Employees who buy shares under the Plan will have those shares matched by Beach, provided any relevant conditions determined by the Board are satisfied. Eligible Employees are employees of the Group, other than a non-executive director and any other person determined by the Board as ineligible to participate in the Plan. The Board has the discretion to set an annual limit on the value of shares that participants may purchase under the Plan, not exceeding \$5,000. Purchased Shares have been acquired periodically at the prevailing market price. Participants pay for their Purchased Shares using their own funds which may include salary sacrifice. To receive Matched Shares, a participant must satisfy the conditions determined by the Board at the time of the invitation. Details of shares purchased and utilised under this plan are detailed in Note 18.

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

Details of the key assumptions used in determining the valuation of unlisted performance rights issued during the year are outlined below.

	2018 STI Rights	2018 STI Rights	2018 LTI Rights	2019 LTI Rights	FY20 ESP ⁽¹⁾
Grant date	19 Dec 2019	19 Dec 2019	19 Dec 2019	19 Dec 2019	Up to 30 Jun 2020
Vesting date	1 Jul 2020	1 Jul 2021	1 Dec 2021	1 Dec 2022	1 Jul 2022
Expiry date	n/a	n/a	30 Nov 2023	30 Nov 2024	n/a
Share price at grant date (A\$)	2.560	2.560	2.560	2.560	1.150 - 2.670
Exercise price (A\$)	Nil	Nil	Nil	Nil	Nil
Expected volatility (average)	n/a	n/a	41.75%	41.75%	n/a
Vesting Period (years)	0.5	1.5	2.0	3.0	2.0 - 2.9
Risk free rate	n/a	n/a	0.66%	0.80%	n/a
Dividend yield	0.74%	0.74%	0.74%	0.74%	0.75% - 1.74%
Number of securities issued	355,682	355,676	141,950	1,784,546	541,053
Fair value of security at grant date (A\$)	2.550	2.530	1.990	1.460	1.106 - 2.622
Total fair value at grant date	906,989	899,860	282,481	2,605,437	1,014,637

(1) Matched Share Rights under the Employee Share Plan are acquired periodically throughout the year. Details show the range of valuation inputs during the year.

Movements in unlisted performance rights are set out below:

	Consolidated	
	2020 number	2019 number
Balance at beginning of period	7,711,875	6,623,901
Issued during the period	3,178,907	2,766,860
Forfeited during the period	(873,846)	-
Vested/Exercised during the period	(2,579,801)	(1,678,886)
Balance at end of period	7,437,135	7,711,875

5. Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is determined using the statement of financial position approach on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax is not recognised for temporary differences arising from goodwill or from the initial recognition of assets and liabilities (other than a business combination) in a transaction that affects neither accounting profit nor taxable income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the tax balances are related to taxes levied by the same tax authority and the entity intends to settle its tax assets and liabilities on a net basis.

Petroleum Resource Rent Tax (PRRT)

PRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

The impact of future augmentation on expenditure is included in the determination of future taxable profits when assessing the extent to which a deferred tax asset for PRRT can be recognised in the statement of financial position.

Australian income tax consolidation

Beach and its wholly owned Australian subsidiaries are consolidated for Australian income tax purposes with Beach responsible for recognising the current and deferred tax assets and liabilities for the income tax consolidated group.

Beach is responsible for recognising the current tax liability, current tax assets and deferred tax assets arising from unused tax losses and credits for the income tax consolidated group. The Group has applied the separate taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

Beach has entered into a tax sharing agreement with its wholly owned subsidiaries whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(a) Income tax expense

Income tax recognised in the statement of profit or loss of the Group is as follows:

	Consolidated	
	2020 \$million	2019 \$million
Recognised in the statement of profit or loss		
Current tax expense		
Current year	173.5	242.5
Adjustments for prior years	(23.6)	(10.5)
Total current tax expense	149.9	232.0
Deferred tax expense		
Origination and reversal of temporary differences	30.0	1.7
Adjustments for prior years	12.4	(3.4)
Derecognition of tax losses	-	2.8
Total deferred tax expense	42.4	1.1
Total income tax expense	192.3	233.1

(b) Numerical reconciliation between tax expense and prima facie tax expense

A reconciliation between income tax expense calculated on profit before tax to income tax expense included in the statement of profit or loss:

	Consolidated	
	2020 \$million	2019 \$million
Accounting profit before income tax	693.1	810.4
Prima facie tax on accounting profit before tax at 30%	207.9	243.1
Adjustment to income tax expense due to:		
Non-deductible expenditure	1.5	0.7
Losses of controlled foreign entities not recognised	-	2.0
Impact of tax rates applicable outside Australia	(0.8)	(1.6)
Derecognition of tax losses	-	2.8
Non assessable income	(5.1)	-
Over provision in prior years	(11.2)	(13.9)
Income tax expense reported in the Statement of Profit or Loss	192.3	233.1

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

Group	2020			2019		
	Before tax amount	Tax In Equity	Net of tax amount	Before tax amount	Tax In Equity	Net of tax amount
Hedging reserve	-	-	-	14.4	(4.3)	10.1
Exchange difference on translating foreign controlled entities	(4.9)	-	(4.9)	(3.0)	-	(3.0)

5. Taxation (continued)**(d) Movement in Group deferred tax balances (\$million)**

Current financial year	Balance 1 July 2019	Recognised in income	Acquired	Recognised in OCI/ Equity	Balance 30 June 2020	Deferred Tax Asset	Deferred Tax Liability
Oil & Gas Assets	(212.6)	(20.6)	-	-	(233.2)	7.3	(240.5)
Assets and Liabilities Held For Sale	2.1	(2.1)	-	-	-	-	-
Provisions	252.4	(11.3)	-	-	241.1	259.4	(18.3)
Employee benefits	6.9	(1.5)	-	-	5.4	5.4	-
Tax Losses	6.2	(2.4)	-	-	3.8	3.8	-
Inventories	(0.8)	0.6	-	-	(0.2)	-	(0.2)
Leases	-	1.0	-	-	1.0	26.4	(25.4)
Other Items	(9.5)	(6.1)	-	1.1	(14.5)	6.6	(21.1)
Tax assets/(liabilities) before set-off	44.7	(42.4)	-	1.1	3.4	308.9	(305.5)
Set-off of deferred tax assets in Australia						(275.3)	275.3
Net deferred tax asset/(liabilities)						33.6	(30.2)

Previous financial year	Balance 1 July 2018	Recognised in income	Acquired	Recognised in OCI/ Equity	Balance 30 June 2019	Deferred Tax Asset	Deferred Tax Liability
Oil & Gas Assets	(217.1)	(26.5)	31.0	-	(212.6)	82.0	(294.6)
Assets and Liabilities Held For Sale	0.5	-	1.6	-	2.1	2.1	-
Provisions	232.4	32.0	(12.0)	-	252.4	272.2	(19.8)
Employee benefits	5.2	1.2	0.5	-	6.9	6.9	-
Tax Losses	-	6.2	-	-	6.2	6.2	-
Inventories	(0.4)	(0.4)	-	-	(0.8)	-	(0.8)
Other Items	2.4	(13.6)	6.3	(4.6)	(9.5)	11.4	(20.9)
Tax assets/(liabilities) before set-off	23.0	(1.1)	27.4	(4.6)	44.7	380.8	(336.1)
Set-off of deferred tax assets in Australia						(301.0)	301.0
Net deferred tax asset/(liabilities)						79.8	(35.1)

(e) Deferred tax assets have not been recognised in respect of the following items:

	Consolidated	
	2020 \$million	2019 \$million
Tax losses (capital)	30.0	25.0
Foreign tax losses (revenue)	2.6	9.3
PRRT (net of income tax)	1,095.6	1,057.6
Total	1,128.2	1,091.9

6. Earnings per share (EPS)

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

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

	2020 \$million	2019 \$million
Basic EPS and Diluted EPS	500.8	577.3

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

	2020 Number	2019 Number
Basic EPS	2,279,909,473	2,277,720,328
Share rights	5,277,121	6,436,398
Diluted EPS	2,285,186,594	2,284,156,726

Calculation of EPS is as follows:

Basic earnings per share (cents per share)	21.97¢	25.35¢
Diluted earnings per share (cents per share)	21.92¢	25.28¢

1,602,015 (FY19 nil) potential ordinary shares relating to performance rights that were not considered dilutive during the period as vesting would not have occurred based on the status of the required vesting conditions at the end of the relevant reporting period. Accordingly, these have been excluded from the calculation of diluted EPS.

Subsequent to 30 June 2020, a further 525,479 shares were issued upon vesting of unlisted performance rights issued on 6 December 2018 and 19 December 2019 pursuant to the Beach Energy Ltd Executive Incentive Plan for the 2017 and 2018 Short Term Incentive Offers following satisfaction of the retention condition.

Capital employed

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

7. Inventories

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

- (i) Drilling and maintenance stocks, which include plant spares, consumables, maintenance and drilling tools used for ongoing operations, are valued at weighted average cost; and
- (ii) Petroleum products, which comprise extracted crude oil, liquefied petroleum gas, condensate and naphtha stored in tanks and pipeline systems and process sales gas and ethane stored in sub-surface reservoirs, are valued using the absorption cost method.

	Consolidated	
	2020 \$million	2019 \$million
Petroleum products	63.4	66.5
Drilling and maintenance stocks	48.0	41.4
Less provision for obsolescence	(4.5)	(8.4)
Total current inventories at lower of cost and net realisable value	106.9	99.5
Petroleum products included above which are stated at net realisable value	22.9	-

8. Property, plant and equipment (PPE)

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

The depreciable amount of all PPE is depreciated using a straight line basis over their useful lives commencing from the time the asset is held ready for use. The depreciation rates used in the current and previous period for each class of depreciable asset are between 4–33%.

	Consolidated	
	2020 \$million	2019 \$million
Property, plant and equipment		
Plant and equipment	47.6	33.3
Plant and equipment under construction	7.1	7.5
Less accumulated depreciation	(20.5)	(14.0)
Total property, plant and equipment	34.2	26.8
Reconciliation of movement in property, plant and equipment:		
Balance at beginning of financial year	26.8	5.5
Additions	13.9	25.5
Depreciation expense	(6.5)	(3.9)
Disposals	-	(0.3)
Total property, plant and equipment	34.2	26.8

9. Petroleum assets

Petroleum assets are stated at cost less accumulated depreciation and impairment charges. They include initial cost, with an appropriate proportion of fixed and variable overheads, to acquire, construct, install or complete production and infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation assets and development wells. Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The depreciable amount of all onshore production facilities, field and other equipment excluding freehold land is depreciated using a straight line basis over the lesser of their useful lives and the life of proved and probable reserves commencing from the time the asset is held ready for use. Offshore production facilities and field equipment are depreciated based on a units of production method using proved and probable reserves. The depreciation rates used in the current and previous period for each class of depreciable asset are 3–67% for onshore production facilities, field and other equipment.

Subsurface assets are amortised using the units of production method over the life of the area according to the rate of depletion of the proved and probable reserves. Retention of petroleum licences is subject to meeting certain work obligations/commitments as detailed in Note 14. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the profit or loss.

Estimates of reserve quantities

The estimated quantities of proved and probable hydrocarbon reserves reported by the Group are integral to the calculation of amortisation (depletion), depreciation expense and to assessments of possible impairment or impairment reversal. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves. Beach prepares its petroleum reserves estimates in accordance with the Petroleum Resources Management System (PRMS 2018) published by the Society of Petroleum Engineers. All estimates of petroleum reserves reported by Beach are prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator. To ensure the integrity and reliability of data used in the reserves estimation process, the raw data is reviewed and quality controlled by senior professional staff at Beach. During each petroleum reserves review, this data is updated, analysed and checked against the previous year's data. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. Approximately three quarters of Beach's 2P (developed and undeveloped) Reserves at 30 June 2020 have been independently audited by RISC Advisory in accordance with Beach's reserves policy. Estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Estimates are reviewed annually or when there are significant changes in the circumstances impacting specific assets or asset groups. These changes may impact depreciation, asset carrying values, restoration provisions and deferred tax balances. If proved and probable reserves estimates are revised downwards, earnings could be affected by higher depreciation expense or an immediate write-down of the asset's carrying value.

	Consolidated	
	2020 \$million	2019 \$million
Field land and buildings		
Land and buildings at cost	74.8	85.7
Less accumulated depreciation	(20.0)	(34.5)
Total land and buildings	54.8	51.2
Reconciliation of movement in field land and buildings:		
Balance at beginning of financial year	51.2	60.6
Additions	5.3	-
Depreciation expense	(1.4)	(10.0)
Foreign exchange movement	(0.3)	0.6
Total field land and buildings	54.8	51.2
Production facilities and field equipment		
Production facilities and field equipment	1,918.7	1,814.7
Production facilities and field equipment under construction	146.9	125.9
Less accumulated depreciation	(898.8)	(851.8)
Total production facilities and field equipment	1,166.8	1,088.8

9. Petroleum assets (continued)

	Consolidated	
	2020 \$million	2019 \$million
Reconciliation of movement in production facilities, field and other equipment:		
Balance at beginning of financial year	1,088.8	1,261.5
Additions	150.4	75.3
Acquisition of subsidiaries and joint operation interests ⁽¹⁾	-	(53.3)
Reclassification to assets held for sale (Note 25)	-	(3.9)
Transfer from exploration and evaluation assets	-	6.8
Depreciation expense	(67.5)	(77.6)
Disposals	-	(127.3)
Foreign exchange movement	(4.9)	7.3
Total production facilities and field equipment	1,166.8	1,088.8
Subsurface assets		
Subsurface assets at cost	3,229.3	3,013.2
Subsurface assets under construction	522.5	306.8
Less accumulated depreciation	(1,986.9)	(1,733.3)
Total subsurface assets	1,764.9	1,586.7
Reconciliation of movement in subsurface assets		
Balance at beginning of financial year	1,586.7	1,388.1
Additions	436.1	274.7
Acquisition of subsidiaries and joint operation interests ⁽¹⁾	-	234.3
Increase/(decrease) in restoration	(32.5)	144.1
Transfer from exploration and evaluation assets	102.6	140.6
Reclassification to assets held for sale (Note 25)	-	(1.3)
Borrowing costs capitalised	6.1	18.1
Foreign exchange movement	0.5	(0.1)
Amortisation expense	(358.2)	(435.0)
Disposals	(0.4)	(176.8)
Capitalised depreciation of lease assets	24.0	-
Total subsurface assets	1,764.9	1,586.7
Total petroleum assets	2,986.5	2,726.7

(1) Acquisitions of petroleum assets represent adjustments made in the previous financial year to the provisional purchase price accounting for the acquisition of the Lattice and Toyota interests booked in FY18 as detailed in note 26.

The carrying amounts of petroleum assets are assessed half yearly to determine whether there is an indication of impairment or impairment reversal for those assets which have previously been impaired. Indicators of impairment and impairment reversals include changes in future selling prices, future costs and reserves. When assessing potential indicators of impairment or reversals the Group models scenarios and a range of possible future commodity prices is considered. If any such indication exists, the asset's recoverable amount is estimated. Petroleum assets are assessed for impairment indicators on a cash generating unit (CGU) basis. Following review of interdependencies between the various operations within the Group, it has been determined that the operational CGUs are Cooper Basin, Perth Basin, Victoria Otway, South Australia Otway, BassGas and Kupe. Where the carrying value of a CGU includes goodwill, the recoverable amount of the CGU is estimated regardless of whether there is an indicator of impairment or not.

The recoverable amount of an asset or CGU is determined as the higher of its value in use and fair value less costs of disposal. Value in use is determined by estimating future cash flows after taking into account the risks specific to the asset and discounting it to its present value using an appropriate discount rate. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is written down and an impairment loss is recognised in the statement of profit or loss. For assets previously impaired, if the recoverable amount exceeds the carrying amount and the indicators driving the increase in value are sustained for a period of time, the impairment loss is reversed, except in relation to goodwill. The carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Future cash flow information used for the value in use calculation is based on the Group's latest reserves, budget, five-year plan and project economic plans. The South Australia Otway has been included as a producing CGU for the first time in FY20 with the Katnook plant commissioned and commencement of production in H2 FY20 through the Haselgrove 3 field. As the SA Otway is currently still in the growth phase of its life cycle with the commissioning of the Katnook gas plant in early CY2020, which was constructed to facilitate the processing of gas across a number of fields, a conservative view of additional resources for other wells and their development costs has been included into the NPV calculation and assessed against a carrying value including additional exploration transfers to development for these further assumed resource conversions.

Impairment and impairment reversal indicator modelling

In determining whether there is an indicator of impairment, in the absence of quoted market prices, estimates are made regarding the present value of future cash flows for each CGU. These estimates require significant management judgement and are subject to risk and uncertainty, and hence changes in economic conditions can also affect the assumptions used and the rates used to discount future cash flow estimates. Current climate change legislation is also factored into the calculation and future uncertainty around climate change risks continue to be monitored. These risks may include a proportion of a CGU's reserves becoming incapable of extraction in an economically viable fashion; demand for the Group's products decreasing, due to policy, regulatory (including carbon pricing mechanisms), legal, technological, market or societal responses to climate change and physical impacts related to acute risks resulting from increased severity of extreme weather events, and those related to chronic risks resulting from longer-term changes in climate patterns. In most cases, the present value of future cash flows is most sensitive to the assumptions outlined below. Notwithstanding that there is currently no price on carbon in Australia, the Group has further assessed the carrying value of its producing assets in Australia against NPVs including a carbon pricing slope ranging from \$25/tCO_{2e} and increasing to A\$50/tCO_{2e} by 2040 (real) which would also not result in any impairment being required as at 30 June 2020 had this been in place. The present value of future cash flows for each CGU were estimated using the assumptions below with reference to external market forecasts at least bi-annually. The assumptions applied have regard to contracted prices and observable market data including forward values and external market analyst's forecasts.

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

- Brent oil price (real) of US\$41.25/bbl in FY21, US\$52.50/bbl for FY22 and US\$60/bbl for FY23 and beyond.
- A\$/US\$ exchange rate of 0.70 for FY21 and beyond
- Post-tax real discount rate of 7%.

For impairment reversals, the present value of future cash flows are considered using lower oil price scenarios based on a Monte-Carlo simulation of Reuters Mean and a 10% reduction in life of asset production, assuming production loss under a long-term oil-price constrained environment.

No impairment or impairment reversal were required in the current year.

Refer to the Basis of Preparation for further details on the financial impacts of COVID-19 on impairment assessments.

10. Exploration and evaluation assets

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Areas of interest are based on a geological area. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of proved and probable hydrocarbon reserves and where the rights to tenure of the area of interest are current. The costs of acquiring interests in new exploration and evaluation licences are capitalised. The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons and the recognition of an area of interest. Subsequent to the recognition of an area of interest, all further evaluation costs relating to that area of interest are capitalised. Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to petroleum assets.

Area of interest

An area of interest (AOI) is defined by Beach as an area defined by major geological structural elements that has a discrete exploration strategy and has largely independent costs for exploration and evaluation from other geological areas.

Impairment of exploration and evaluation assets

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective AOI. Each potential or recognised AOI is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. Where a potential impairment is indicated, assessment is performed using a fair value less costs to dispose method to determine the recoverable amount for each AOI to which the exploration and evaluation expenditure is attributed.

This assessment requires management to make certain estimates and apply judgement in determining assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of profit or loss. Retention of exploration assets is subject to meeting certain work obligations/exploration commitments as detailed in Note 14.

Government grants received in relation to the drilling of exploration wells are recognised as a reduction in the carrying value of the exploration permit as expenditure is incurred.

Refer to the Basis of Preparation for further details on the financial impacts of COVID-19 on impairment assessments.

	Consolidated	
	2020 \$million	2019 \$million
Exploration and evaluation assets at beginning of financial year	355.3	478.9
Additions	231.5	102.6
Increase/(decrease) in restoration	(9.5)	17.0
Acquisition of subsidiaries and joint operation interests (Note 26)	0.1	1.9
Transfer to petroleum assets	(102.6)	(147.4)
Reclassification to assets held for sale (Note 25)	-	(1.5)
Impairment of exploration and evaluation assets	(1.6)	-
Exploration and evaluation expenditure expensed	(20.7)	-
Disposal of joint operation interests	(2.2)	(99.7)
Borrowing costs capitalised	0.4	3.5
Foreign exchange movement	0.3	-
Capitalised depreciation of lease assets	11.4	-
Total exploration and evaluation assets	462.4	355.3

11. Interests in joint operations

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

Accounting for interests in other entities

Judgement is required in assessing the level of control obtained in a transaction to acquire an interest in another entity; depending upon the facts and circumstances in each case, Beach may obtain control, joint control or significant influence over the entity or arrangement. Judgement is applied when determining the relevant activities of a project and if joint control is held over them. Relevant activities include, but are not limited to, work program and budget approval, investment decision approval, voting rights in joint operating committees, amendments to permits and changes to joint arrangement participant holdings. Transactions which give Beach control of a business are business combinations.

If Beach obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If Beach has neither control nor joint control, it may be positioned to exercise significant influence over the entity, which is then accounted for as an associate.

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

Joint Operation	Principal activities	% interest	
		2020	2019
Oil and Gas interests			
Australia			
Cooper Basin (South Australia)			
Ex PEL 92 (PRLs 85-104)	Oil production	75.0	75.0
Ex PEL 104 (PRLs 15,136-141)	Oil production	40.0	40.0
Ex PEL 513 (PRLs 191-206)	Gas production and exploration	40.0	40.0
Ex PEL 632 (PRLs 131-134)	Gas production and exploration	40.0	40.0
PEL 630	Oil and gas exploration	50.0	50.0
SA Fixed Factor Area	Oil and gas production	33.4	33.4
SA Unit	Oil production	33.4	33.4
Cooper Basin (Queensland)			
Nacowlah Block	Oil production	38.5	38.5
ATP 299 (Tintaburra)	Oil production	40.0	40.0
Total 66 Block	Oil production	30.0	30.0
SWQ Unit	Gas production	39.9	39.9
Otway Basin (Victoria/Tasmania)			
Otway Gas Project	Gas production	60.0	60.0
Bass Basin (Tasmania)			
BassGas Project	Gas production	53.8	53.8
Perth Basin (Western Australia)			
Beharra Springs	Gas production	50.0	67.0
Waitsia Gas Project	Gas production	50.0	50.0
International			
Taranaki Basin (New Zealand)			
Kupe Gas Project	Gas production	50.0	50.0

Details of commitments for expenditure and contingent liabilities incorporating the Group's interests in joint operations are shown in Notes 14 and 28 respectively.

12. Provisions

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

Estimate of restoration costs

The Group holds provisions for the future removal costs of offshore and onshore oil and gas platforms, production facilities and pipelines at different stages of the development, construction and end of their economic lives. Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event occurs are uncertain. Decommissioning technologies and costs are constantly changing, as are political, environmental, safety and public expectations. The timing and amounts of future cash flows are subject to significant uncertainty and estimation is required in determining the amounts of provisions to be recognised. Any changes in the expected future costs are reflected in both the provision and the asset.

The provision for environmental liabilities represents the Group's best estimate based on current industry practice, current regulations, technology, price levels and expected plans for end of life remediation.

Within Beach's provision the following costs have been provided:

- For offshore assets provision has been made for installation of permanent well barriers, sever casings and conductors, recovery of nearshore subsea flowlines, umbilicals and manifolds, platform preparation, jacket and topside removal, cutting of piles, removal and disposal of recovered components. It is currently the Group's intention to leave all subsea piles in-situ.
- For onshore assets provision has been made for demolition and removal of facilities, removal of aboveground pipelines and services, flush and clean and leave in-situ below ground pipelines, removal of contaminated soil, site contouring and revegetation.
- For non-operated joint venture assets, the provision recorded represents the Group's share of the relevant Joint Venture operator estimate as responsibility for the restoration will reside with the operator who has the best knowledge and understanding of the assets. The Group regularly assesses the operator estimates with the assistance of Group appointed experts.

Actual costs and cash outflows can differ from current estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology. The timing and amount of future expenditures relating to decommissioning and environmental liabilities are reviewed annually, together with the interest rate used in discounting the cash flows. The interest rates used to determine the balance sheet obligations at 30 June 2020 were within the range 0.3% to 1.5% (2019 within the range 0.9% to 1.8%), and were based on applicable government bonds with a tenure aligned to the tenure of the liability. Given the continuing fall in the long term bond rates and the current lack of correlation between long term inflation rate forecasts and nominal long term bond rates, management have revised their inflation rates to reflect the lower long term bond rates in the current environment.

Changes in assumptions in relation to the Group's provisions could result in a material change in their carrying amounts within the next financial year. A 0.5% change in the nominal discount rate or inflation rate could have an impact of approximately \$60 million on the value of the Group's provisions. The impact on the Group income statement would not be significant as the majority of the Group's provisions relate to decommissioning costs with adjustments recorded against the carrying value of the Group's assets.

Estimate of employee entitlements

Annual and long service leave is measured at the present value of benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate. Management requires judgement to determine key assumptions used in the calculation including future increases in salaries and wages, future on-cost rates and future settlement dates of employees' departures.

	Consolidated	
	2020 \$million	2019 \$million
Current		
Employee entitlements	16.9	13.6
Restoration	14.0	11.8
Total	30.9	25.4
Non-Current		
Employee entitlements	1.0	2.2
Restoration	797.9	840.6
Total	798.9	842.8

Movement in the Group's provisions are set out below:

	Restoration \$million	Employee entitlements \$million
Balance at 1 July 2019	852.4	15.8
Provision made or reversed during the year	(42.0)	7.7
Provision paid/used during the year	(1.9)	(5.6)
Unwind of discount	11.9	-
Disposals	(6.6)	-
Foreign exchange movements	(1.9)	-
Balance at 30 June 2020	811.9	17.9

13. Leases

The Group has adopted AASB 16 on 1 July 2019. Refer to Note 27 for lease transition disclosures.

Recognition and measurement as a lessee

From 1 July 2019, leases are recognised as a lease asset and a corresponding liability at the date at which the leased asset is available for use by the Group. A lease is a contract (i.e., an agreement between two or more parties that creates enforceable rights and obligations), or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of an identified asset. 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. The Group has lease contracts for various items of plant, machinery, vehicles, buildings and other equipment used in its operations. The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Lease assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities and for impairment losses, assessed in accordance with the Group's impairment policies. The cost of lease 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 lease 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. Judgement is required to determine the Group's rights and obligations for lease contracts within joint operations, to assess whether lease liabilities are recognised gross (100%) or in proportion to the Group's participating interest in the joint operation. This includes an evaluation of whether the lease arrangement contains a sublease with the joint operation. Instances where the payments regarding a lease contract are part of a joint operations and the Group is the responsible party for payment, the Group recognises the full lease liability, and recognises other income for the portion of payment that is recovered through other parties within the joint venture arrangement.

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 lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the lease asset in a similar economic environment with similar terms, security and conditions. 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.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the lease asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Instances where the underlying costs regarding a lease contract would previously have been capitalised, the depreciation on the lease asset is capitalised. The Group capitalisation of depreciation is \$35m. Payments associated with short-term leases and all leases of assets considered to be of low value are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Set out below are the carrying amounts of lease assets recognised and the movements during the period:

	Consolidated	
	2020 \$million	2019 \$million
Balance at transition	96.8	-
Additions	30.1	-
Lease remeasurement	(11.5)	-
Depreciation expense ⁽ⁱ⁾	(56.7)	-
Total	58.7	-

(i) Instances where the underlying costs regarding a lease contract would previously have been capitalised, the depreciation on the lease asset is capitalised. The Group capitalisation of depreciation is \$35.4m.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Consolidated	
	2020 \$million	2019 \$million
Balance at transition	96.8	-
Additions	30.1	-
Repayments ⁽ⁱⁱ⁾	(57.6)	-
Lease remeasurement	(11.5)	-
Accretion of interest	3.4	-
Foreign exchange movements	0.9	-
Total	62.1	-
Current	26.8	-
Non-current	35.3	-

(ii) Instances where the payments regarding a lease contract are part of a joint arrangement and the Group is the responsible party for payment, the Group recognises the full lease liability, and recognises other income for the portion of payment that is recovered through other parties within the joint venture arrangement. The Group recognised \$15.5m of other income relating to joint venture recoveries.

Payments of \$35 million for short-term leases (lease term of 12 months or less) and payments of \$6 million for leases of low value assets were expensed in the consolidated income statement for the year ended 30 June 2020.

Other income associated with lease arrangements

Where it has been determined that the Group directs the use of the leased asset, and is the only party with legal obligation to pay the lessor, the Group recognises other income for any amount of the lease payments that are recoverable from other parties, representing "other income related to joint venture lease recoveries" in other income. For the year ending 30 June 2020, the amount recognised was \$15.5 million.

14. Commitments for expenditure

	Consolidated	
	2020 \$million	2019 \$million
Capital Commitments		
The Group has contracted the following amounts for capital expenditure at the end of the reporting period for which no amounts have been provided for in the financial statements.		
Due within 1 year	48.6	116.7
Due within 1-5 years	-	0.6
Due later than 5 years	-	-
	48.6	117.3
Minimum Exploration Commitments		
The Group is required to meet minimum expenditure requirements of various government regulatory bodies and joint arrangements. These obligations may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.		
Due within 1 year	25.4	19.9
Due within 1-5 years	51.5	36.2
Due later than 5 years	4.1	5.7
	81.0	61.8

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

Lease Commitments

The Group has contracted the following amounts for lease commitments at the end of the reporting period for which no amounts have been provided for in the financial statements.

	Consolidated	
	2020 \$million	2019 \$million
Due within 1 year	14.7	28.8
Due within 1-5 years	-	24.2
Due later than 5 years	-	11.3
	14.7	64.3

Refer to note 27 for a reconciliation of the Group's lease commitments at 30 June 2019 to the transition lease liabilities recognised at 1 July 2019.

The Group's share of the above commitments that relate to its interest in joint arrangements are \$43.8 million (FY19 \$109.1 million) for capital commitments, \$80.6 million (FY19 \$57.3 million) for minimum exploration commitments, and \$14.7 million (FY19 \$38.0 million) for lease commitments.

Financial and risk management

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

15. Finances and borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption being recognised in the profit or loss over the period of the borrowings on an effective interest basis. Transaction costs are amortised on a straight line basis over the term of the facility. The unwinding of present value discounting on debt and provisions is also recognised as a finance cost.

Borrowing costs relating to major oil and gas assets under development are capitalised as a component of the cost of development. Where funds are borrowed specifically for qualifying projects, the actual borrowing costs incurred are capitalised. Where the projects are funded through general borrowings, the borrowing costs are capitalised based on the weighted average cost of borrowing. Borrowing costs incurred after commencement of commercial operations are expensed to the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Interest income is recognised in the profit or loss as it accrues using the effective interest method and if not received at balance date, is reflected in the balance sheet as a receivable.

	Consolidated	
	2020 \$million	2019 \$million
Net finance expenses/(income)		
Finance costs	6.0	21.7
Interest expense	0.7	21.2
Discount unwinding on net present value assets and liabilities	12.4	40.7
Finance costs associated with lease liabilities	3.4	-
Less borrowing costs capitalised	(6.5)	(21.6)
Total finance expenses	16.0	62.0
Interest income	(2.0)	(3.9)
Net finance expenses	14.0	58.1
Non-current Borrowings		
Bank debt	60.0	-
Less debt issuance costs ⁽¹⁾	(3.3)	-
Total non-current borrowings	56.7	-

(1) Unamortised costs relating to the Syndicated Debt Facility were reclassified to other current and non-current assets in FY19.

On 23 November 2017, Beach executed a Syndicated Debt Facility Agreement for a \$1,475 million Senior Secured Debt Facility in order to fund the acquisition of Lattice. The facility is 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 Letter of Credit facility (Facility D). During FY19, Beach voluntarily prepaid and cancelled the Facility A and Facility B commitments of \$950 million.

As at 30 June 2020, \$60 million of Facility C was drawn with \$390 million remaining undrawn, and \$71.5 million of Facility D being utilised predominantly by way of bank guarantees. Bank debt bears interest at the relevant reference rate plus a margin, with the effective interest rate in FY20 of 2.06% (FY19 3.79%).

16. Cash flow reconciliation

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank, term deposits with banks, and highly liquid investments in money market instruments, net of outstanding bank overdrafts subject to them being an insignificant risk of change in value and a short term maturity.

	Consolidated	
	2020 \$million	2019 \$million
(a) Reconciliation of cash and cash equivalents		
Cash at bank	109.9	171.9
Cash and cash equivalents	109.9	171.9
(b) Reconciliation of net profit to net cash provided by operating activities		
Net profit after tax	500.8	577.3
Less items classified as investing/financing activities:		
- (Gain)/loss on disposal of non-current assets	(0.6)	0.1
- Gain on sale of joint operation interests	(8.9)	(13.5)
- Recognition of deferred tax assets/(liability) on items direct in equity	0.8	(4.4)
	492.1	559.5
Add/(less) non-cash items:		
- Share based payments	3.3	2.1
- Depreciation and amortisation	454.8	526.5
- Impairment expense	1.6	-
- Exploration expense	20.7	-
- Foreign exchange loss/(gain)	1.0	(0.3)
- Discount unwinding on provision for restoration	11.9	22.7
- Provision for stock obsolescence movement	4.2	(13.8)
- Gain on reversal of provision for onerous commitment	(37.8)	-
- Gain on cessation of overseas operations	(8.7)	(7.0)
- Capitalised borrowing costs	(6.5)	(21.6)
- Amortisation of borrowing costs	2.7	18.3
- Other	-	(3.5)
Net cash provided by operating activities before changes in assets and liabilities	939.3	1,082.9
Changes in assets and liabilities net of acquisitions/disposal of subsidiaries:		
- Decrease/(increase) in trade and other receivables	61.7	(9.7)
- Decrease/(increase) in inventories	(11.6)	6.4
- Decrease/(increase) in other current assets	(39.3)	(15.3)
- Decrease/(increase) in other non-current assets	(18.6)	1.0
- Decrease/(increase) in deferred tax assets ⁽¹⁾	46.1	(10.8)
- Increase/(decrease) in provisions	(0.4)	(22.5)
- Increase/(decrease) in current tax liability	(114.9)	101.2
- Increase/(decrease) in deferred tax liability ⁽¹⁾	(4.9)	16.0
- Increase/(decrease) in trade and other payables	63.9	9.1
- Increase/(decrease) in net derivatives	-	(13.6)
- Increase/(decrease) in net contract liabilities	(47.4)	(106.5)
Net cash provided by operating activities	873.9	1,038.2

(1) Includes reclassification of FY19 acquisition balances.

	Consolidated	
	2020 \$million	2019 \$million
(c) Reconciliation of liabilities arising from financing activities to financing cash flows		
Opening Balance	-	925.7
Financing cash flows ⁽¹⁾	60.0	(950.0)
Non-cash changes	(3.3)	24.3
Closing Balance	56.7	-

(1) Financing cash flows consist of the net amount of proceeds from borrowing (\$225 million) and repayments of borrowings (\$165 million) in the statement of cash flows.

17. Financial risk management

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

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

The Group classifies its financial instruments in the following categories: financial assets at amortised cost, financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), financial liabilities at amortised cost and derivative instruments. The classification depends on the purpose for which the financial instruments were acquired, which is determined at initial recognition based upon the business model of the Group and the characteristics of the contractual cash flows of the instrument.

With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under AASB 15.

Financial assets at amortised cost: A financial asset is classified in this category if the asset is held with the objective of collecting contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. These assets are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income: A financial asset is classified in this category if it relates to debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. Upon disposal, any balance within the OCI reserve for these debt investments is reclassified to the statement of profit or loss.

Financial assets at fair value through profit or loss: A financial asset is classified in this category if it is held for trading, designated upon initial recognition at fair value through profit or loss, or mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

Financial liabilities: On initial recognition, the Group measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, these financial liabilities are stated at amortised cost. Policies for the recognition and subsequent measurement of derivative liabilities are as outlined below.

Derivative instruments: Derivative financial instruments entered into by the Group for the purpose of managing its exposures to market risks arising in the normal course of business have been assessed for hedge accounting. The principal derivatives that may be used are commodity derivatives, forward foreign exchange contracts and interest rate swaps. The use of derivative financial instruments is subject to a set of policies, procedures and limits approved by the Board of Directors. The Group does not trade in derivative financial instruments for speculative purposes.

17. Financial risk management (continued)

(a) Fair values

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

- Level 1 - the fair value is calculated using quoted prices in active markets for identical assets or liabilities;
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for substantially the full term of 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:

Carrying amount	Note	Financial assets/ financial liabilities at amortised cost	
		2020 \$million	2019 \$million
Financial assets			
Cash and cash equivalents		109.9	171.9
Receivables		215.8	284.9
Lease assets	13	58.7	-
Other		84.8	31.5
		469.2	488.3
Financial liabilities			
Payables		282.0	330.7
Lease liabilities	13	62.1	-
Interest bearing liabilities	15	60.0	-
		404.1	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:

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2020 and there have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2020.

The Group also has a number of other financial assets and liabilities including cash and cash equivalents, receivables and payables which are recorded at their carrying value which is considered to be a reasonable approximation of their fair value.

(b) Market Risk

The Group is exposed to commodity price fluctuations through the sale of petroleum products and other oil-linked contracts. Derivatives may be used by the Group to manage its forward commodity risk exposure. The Group policy is to manage commodity price exposure by way of Australian dollar denominated oil options for up to 18 months. Changes in fair value of these derivatives are recognised immediately in the profit or loss and other comprehensive income, having regard to whether they are defined as accounting hedges.

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

There were no commodity hedges outstanding at 30 June 2019 or 30 June 2020.

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

	Consolidated	
	2020 \$million	2019 \$million
Variable rate instruments:		
Cash and cash equivalents	109.9	171.9
Interest bearing liabilities	(60.0)	-
	49.9	171.9

Sensitivity analysis for all market risks

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

	Consolidated	
	2020 \$million	2019 \$million
Impact on post-tax profit and equity		
A\$/US\$ - 10% increase in Australian/US dollar exchange rate	(52.4)	(51.3)
A\$/US\$ - 10% decrease in Australian/US dollar exchange rate	64.1	64.8
US\$ oil price - increase of \$10/bbl	109.4	82.1
US\$ oil price - decrease of \$10/bbl	(109.4)	(83.2)
Interest rates - increase of 1%	0.2	(2.3)
Interest rates - decrease of 1%	(0.2)	2.3

17. Financial risk management (continued)

(c) Credit risk

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

The Group applied the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. Under this method, determination of the loss allowance provision and expected loss rate incorporates past experience and forward-looking information, including the outlook for market demand and forward-looking interest rates. As the expected loss rate at 30 June 2020 is 0.2% (2019 0.1%), a loss allowance has been recorded at 30 June 2020 of \$0.4 million (FY19 \$0.4 million).

	Consolidated	
	2020 \$million	2019 \$million
Ageing of Receivables:		
Receivables not yet due	215.8	284.9
Receivables past due	0.4	0.4
Considered impaired	(0.4)	(0.4)
Total Receivables	215.8	284.9

The Group manages its credit risk on financial assets by predominantly dealing with counterparties with an investment grade credit rating. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures.

Cash is placed on deposit amongst a number of financial institutions to minimise the risk of counterparty default.

(d) Liquidity Risk

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

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

Note	Carrying amount						Total		
	Less than 1 year		1 to 5 years		Greater than 5 years		2020	2019	
	2020 \$million	2019 \$million	2020 \$million	2019 \$million	2020 \$million	2019 \$million	2020 \$million	2019 \$million	
Financial liabilities									
Payables	276.4	324.4	2.9	2.9	2.7	3.4	282.0	330.7	
Lease liabilities	13	26.8	-	22.2	-	13.1	62.1	-	
Interest bearing liabilities	15	-	-	60.0	-	-	60.0	-	
		303.2	324.4	85.1	2.9	15.8	3.4	404.1	330.7

Equity and group structure

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

18. Contributed equity

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

	Number of Shares	\$million
Issued and fully paid ordinary shares at 30 June 2018	2,276,570,218	1,859.1
Issued during the FY19 financial year		
Shares issued on vesting/exercise of unlisted performance rights	1,678,886	-
Repayment of employee loans and sale of employee shares	-	1.5
Issued and fully paid ordinary shares at 30 June 2019	2,278,249,104	1,860.6
Issued during the FY20 financial year		
Shares issued on vesting/exercise of unlisted performance rights	2,559,073	-
Repayment of employee loans and sale of employee shares	-	1.3
Shares purchased on market (Treasury shares), net of tax	-	(0.7)
Issued and fully paid ordinary shares at 30 June 2020	2,280,808,177	1,861.2

Treasury shares

Treasury shares are held to satisfy the obligations under the employee share schemes. Shares are accounted for at the weighted cost for the period. During the period \$1.0 million of Treasury shares were purchased on market.

Movement in Treasury shares	Number
Balance at 30 June 2019	-
Shares purchased on market during FY20	541,053
Utilisation of Treasury shares on vesting of employee share scheme	(20,728)
Balance at 30 June 2020	520,325

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

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

Dividend Reinvestment Plan

The Board suspended the operation of the Dividend Reinvestment Plan on 21 August 2017 on the basis that this form of capital management is not currently required at this time.

Capital management

Management is responsible for managing the capital of the Group, on behalf of the Board, in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure the Group can fund its operations with secure, cost-effective and flexible sources of funding. The Group debt and capital includes ordinary shares, borrowings and financial liabilities including derivatives supported by financial assets. Management effectively manages the capital of the Group by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. The responses include the management of debt levels, dividends to shareholders and share issues. Debt repayment is currently a key priority for the Group in order to bring net gearing levels in line with market guidance. The Group net gearing ratio is nil (FY19 nil). Net gearing has been calculated as financial liabilities (including borrowings and unsecured bank guarantees) less cash and cash equivalents, as a proportion of these items plus shareholder's equity.

19. Reserves

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

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

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

	Consolidated	
	2020 \$million	2019 \$million
Share based payments reserve	36.0	32.8
Foreign currency translation reserve	(5.3)	8.3
Profit distribution reserve	881.2	126.8
Total reserves	911.9	167.9

20. Dividends

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

	Consolidated	
	2020 \$million	2019 \$million
Final dividend of 1.0 cent (2019 1.0 cent)	22.8	22.8
Interim dividend of 1.0 cent (2019 1.0 cent)	22.8	22.8
Total dividends paid or payable	45.6	45.6
Franking credits available in subsequent financial years based on a tax rate of 30% (2019 30%)	354.5	142.2

21. Subsidiaries

Name of Company	Place of incorporation	Percentage of shares held	
		% 2020	% 2019
Beach Energy Limited ⁽¹⁾	South Australia		
Beach Petroleum (NZ) Pty Ltd	South Australia	100	100
Beach Oil and Gas Pty Ltd	New South Wales	100	100
Beach Production Services Pty Ltd	South Australia	100	100
Beach Petroleum (Cooper Basin) Pty Ltd	Victoria	100	100
Beach (Tanzania) Pty Ltd	Victoria	100	100
Beach Petroleum (Tanzania) Limited	Tanzania	100	100
Beach Energy (Operations) Limited ⁽¹⁾⁽³⁾	South Australia	100	100
Beach Energy (Perth Basin) Pty Ltd ⁽¹⁾⁽⁴⁾	Australian Capital Territory	100	100
Beach Energy (Bonaparte) Pty Ltd ⁽⁵⁾	South Australia	100	100
Beach Energy (Bass Gas) Limited ⁽⁶⁾	UK	100	100
Beach Energy Services Pty Ltd ⁽⁷⁾	Victoria	100	100
Beach Energy Finance Pty Ltd ⁽⁸⁾	Victoria	100	100
Beach Energy (Offshore) Pty Ltd ⁽²⁾	South Australia	100	-
Beach Energy (Otway) Limited ⁽⁹⁾	UK	100	100
Beach Petroleum (NT) Pty Ltd	Victoria	100	100
Territory Oil & Gas Pty Ltd	Northern Territory	100	100
Adelaide Energy Pty Ltd	South Australia	100	100
Australian Unconventional Gas Pty Ltd	South Australia	100	100
Deka Resources Pty Ltd	South Australia	100	100
Well Traced Pty Ltd	South Australia	100	100
Australian Petroleum Investments Pty Ltd ⁽¹⁾	Victoria	100	100
Delhi Holdings Pty Ltd	Victoria	100	100
Delhi Petroleum Pty Ltd ⁽¹⁾	South Australia	100	100
Impress Energy Pty Ltd ⁽¹⁾	Western Australia	100	100
Impress (Cooper Basin) Pty Ltd ⁽¹⁾	Victoria	100	100
Springfield Oil and Gas Pty Ltd ⁽¹⁾	Western Australia	100	100
Mazeley Ltd	Liberia	100	100
Mawson Petroleum Pty Ltd	Queensland	100	100

21. Subsidiaries (continued)

Name of Company	Place of incorporation	Percentage of shares held	
		2020	2019
Drillsearch Energy Pty Ltd ⁽¹⁾	Victoria	100	100
Circumpacific Energy (Australia) Pty Ltd	New South Wales	100	100
Drillsearch Gas Pty Ltd	Queensland	100	100
Drillsearch (Field Ops) Pty Ltd	New South Wales	100	100
Drillsearch (513) Pty Ltd	New South Wales	100	100
Drillsearch (Central) Pty Ltd	Victoria	100	100
Ambassador Oil & Gas Pty Ltd	Victoria	100	100
Ambassador (US) Oil & Gas LLC	USA	100	100
Ambassador Exploration Pty Ltd	Victoria	100	100
Acer Energy Pty Ltd	Queensland	100	100
Great Artesian Oil & Gas Pty Ltd ⁽¹⁾	New South Wales	100	100
Beach Energy Resources NZ (Holdings) Limited	New Zealand	100	100
Beach Energy Resources NZ (Kupe) Limited	New Zealand	100	100
Beach Energy (Kupe) Limited	New Zealand	100	100
Kupe Mining (No.1) Limited	New Zealand	100	100
Beach Energy NZ (Clipper) Limited ⁽²⁾	New Zealand	100	-
Beach Energy Resources NZ (Tawhaki) Limited ⁽²⁾	New Zealand	100	-
Beach Energy Resources NZ (Tawn) Limited	New Zealand	100	100

All shares held are ordinary shares, other than Mazeley Ltd which is held by a bearer share.

(1) Company in Closed Group in FY19 and FY20 (refer Note 22).

(2) Company created and registered during FY20.

(3) Previously Lattice Energy Limited.

(4) Previously Lattice Energy Resources (Perth Basin) Pty Ltd.

(5) Previously Lattice Energy Resources (Bonaparte) Pty Ltd.

(6) Previously Lattice Energy Resources (Bass Gas) Limited.

(7) Previously Lattice Energy Services Pty Ltd.

(8) Previously Lattice Energy Finance Pty Ltd.

(9) Previously Lattice Energy Resources (Otway) Limited.

22. Deed of cross guarantee

Pursuant to ASIC (wholly-owned companies) Instrument 2016/785, certain wholly-owned subsidiaries can be relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Beach and each of the subsidiaries that opted for relief during the year (the Closed Group) entered into a Deed of Cross Guarantee (Deed). The effect of the Deed is that Beach has guaranteed to pay any deficiency in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. The Subsidiaries have also given a similar guarantee in the event that Beach is wound up. Those companies in the Closed Group for each year are referred to in Note 21.

The consolidated statement of profit or loss and other comprehensive income, summary of movements in retained earnings/ (accumulated losses) and statement of financial position of the Closed Group are as follows:

	Closed Group	
	2020 \$million	2019 \$million
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Revenue	1,542.9	1,861.2
Cost of sales	(989.9)	(1,069.0)
Gross profit	553.0	792.2
Other income	172.0	89.7
Other expenses	(26.6)	(256.4)
Operating profit before financing costs	698.4	625.5
Interest income	1.1	2.9
Finance expenses	(21.0)	(67.5)
Profit before income tax expense	678.5	560.9
Income tax expense	(187.5)	(179.4)
Profit after tax for the year	491.0	381.5
Other comprehensive income/(loss)		
Net change in hedging reserves	-	14.4
Tax effect relating to components of Other Comprehensive Income	-	(4.3)
Other comprehensive income/(loss) net of tax	-	10.1
Total comprehensive income/(loss) after tax	491.0	391.6
Summary of movements in the Closed Group's retained earnings/(accumulated losses)		
Retained earnings at beginning of the year	72.4	(309.1)
Net profit for the year	491.0	381.5
Transfer to profit distribution reserve	(800.0)	-
Retained earnings/(accumulated losses) at end of the year	(236.6)	72.4

22. Deed of cross guarantee (continued)

	Closed Group	
	2020 \$million	2019 \$million
Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	90.8	75.0
Receivables	329.9	306.1
Inventories	94.5	89.5
Other	52.3	20.8
Assets held for sale	-	6.8
Total current assets	567.5	498.2
Non-current assets		
Property, plant and equipment	34.2	26.9
Petroleum assets	2,681.6	2,438.0
Exploration and evaluation assets	269.7	226.0
Lease assets	45.9	-
Goodwill	57.1	57.1
Deferred tax assets	62.8	91.8
Other financial assets	244.0	183.8
Total non-current assets	3,395.3	3,023.6
Total assets	3,962.8	3,521.8
Current liabilities		
Payables	202.3	234.4
Provisions	19.8	16.1
Current tax liability	83.6	172.7
Lease liabilities	15.3	-
Contract liabilities	15.3	57.6
Liabilities held for sale	-	1.5
Total current liabilities	336.3	482.3
Non-current liabilities		
Payables	343.4	247.1
Provisions	645.8	666.0
Lease liabilities	32.8	-
Contract liabilities	5.9	33.8
Interest bearing liabilities	56.7	-
Total non-current liabilities	1,084.6	946.9
Total liabilities	1,420.9	1,429.2
Net assets	2,541.9	2,092.6
Equity		
Contributed equity	1,860.6	1,860.6
Reserves	917.9	159.6
Retained earnings/(accumulated losses)	(236.6)	72.4
Total equity	2,541.9	2,092.6

23. Parent entity financial information

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

Financial performance

	Parent	
	2020 \$million	2019 \$million
Net profit/(loss) after tax	807.4	(273.8)
Other comprehensive income/(loss), net of tax	-	10.1
Total comprehensive income/(loss) after tax	807.4	(263.7)
Total current assets	787.1	528.4
Total assets	2,377.2	2,459.5
Total current liabilities	541.0	1,518.0
Total liabilities	740.3	1,588.1
Issued capital	1,861.2	1,860.6
Share based payments reserve	36.0	32.7
Profits distribution reserve	881.3	126.9
Other reserve	0.6	-
Retained earnings	(1,141.4)	(1,148.8)
Total equity	1,637.7	871.4

Expenditure Commitments

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

	Parent	
	2020 \$million	2019 \$million
Capital expenditure commitments	3.4	9.8
Minimum exploration commitments	0.2	7.2
Operating commitments	-	44.6

Contingent liabilities and guarantees

Details of contingent liabilities for the Company in respect of service agreements, bank guarantees and parent company guarantees are disclosed in Note 28.

Beach Energy Limited and a number of its wholly owned subsidiaries are parties to a Deed of Cross Guarantee as disclosed in Note 22. The effect of the Deed is that Beach Energy Limited has guaranteed to pay any deficiency in the event of winding up of any of the listed subsidiary companies under certain provisions of the Corporations Act 2001.

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

24. Related party disclosures

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

Remuneration for Key Management Personnel

	Consolidated	
	2020 \$	2019 \$
Short term benefits	5,688,692	6,361,695
Share based payments	1,869,206	2,007,754
Other long term benefits	(36,919)	41,278
Total	7,520,979	8,410,727

Subsidiaries

Interests in subsidiaries are set out in Note 21.

Transactions with other related parties

During the financial year ended 30 June 2020, Beach paid \$369,936 (FY19 \$179,782) to Coates Hire Operations Pty Ltd, an entity of which Ryan Stokes is a director, for the hire of equipment on arm's length commercial terms.

Directors fees payable to Mr Davis for the year ended 30 June 2020 of \$305,000 (FY19 \$275,000) were paid directly to DMAW Lawyers. Beach has in previous years used the legal services of DMAW Lawyers, a legal firm of which the Chairman, Mr Davis is a principal. No fees were paid to DMAW Lawyers for legal services in the current financial year (FY19 \$64,861).

In FY19, Beach also paid US\$1,199,933 to Central Petroleum Mereenie Pty Ltd, an entity of which director, Peter Moore was also a director, for the purchase of crude oil on commercial terms. Peter Moore ceased to be a director of Central Petroleum Mereenie Pty Ltd on 13 November 2018.

25. Disposal group held for sale

In the prior financial year, Beach completed the sale of 40% of Beach's Victorian Otway assets to O.G. Energy Holdings Ltd. (O.G. Energy). The Otway assets includes the Otway Gas Plant, existing gas field Geographe, Thylacine, Halladale, Speculant and Black Watch as well as exploration prospects Enterprise and Artisan. In each joint venture Beach (or its wholly owned subsidiaries) holds a 60% interest and remains as operator, whilst O.G. Energy holds 40%. Beach received cash consideration of \$262.4 million on completion comprising the sale price of \$344.0 million less completion adjustments of \$81.6 million reflecting O.G. Energy's share of net cashflow from these assets between the effective date of the transaction being 1 July 2018 and the completion date. A receivable of \$2.2m was booked at 30 June 2019 comprising a final completion adjustment of \$0.2m and a further amount for income tax payable by the purchaser of \$2.0m relating to earnings made during the interim period. Following finalisation of the FY19 income tax return, the income tax payable by the purchaser increased by \$0.4 million which has been recognised as a further gain on sale of joint operation interests in FY20 with all remaining deferred amounts owing received in July 2020.

	FY19 \$million
Profit on sale	
Cash consideration	344.0
Completion adjustments	(81.6)
Receivables	2.2
Total consideration received	264.6
Less assets and liabilities disposed	
- Assets held for sale	410.6
- Liabilities held for sale	(158.9)
Net assets disposed	251.7
Profit on sale	12.9
Cash flow on disposal	
Cash consideration	344.0
Completion adjustment	(81.6)
Net cash flow on disposal	262.4

On 3 July 2019, Beach announced that it had executed agreements with AWE (Beharra Springs) Pty Ltd, a related body corporate of Mitsui E&P Australia (MEPAU), to move to 50:50 ownership of production licences L11 and L22 (Beharra Springs), exploration permit EP 320 and pipeline licence PL 18 in the Perth Basin. The previous ownership structure for these permits was Beach 67% and MEPAU 33%. The transaction had an effective date of 1 January 2019 and was completed on 29 November 2019. Beach retained operatorship of the permits. The interest held for sale at 30 June 2019 was part of the SAWA operating segment with assets of \$6.7 million and liabilities of \$1.5 million shown at historic cost. Proceeds received on the sale including completion adjustments were \$8.9 million resulting in the recognition of a gain on sale of joint operation interests of \$2.6 million in FY20.

The sale of Beach's interest in ex PEL 103 (Innamincka Dome) was completed in H1 FY20 with Beach realising a net gain on sale of joint operation interests of approximately \$5.9 million from the removal of all associated liabilities.

Activities for Beach Petroleum (Tanzania) Limited have effectively ceased resulting in the release of a cumulative gain of \$8.7 million on the historic translation of this entity from other comprehensive income to the statement of profit or loss in FY20. In the previous year, Beach Petroleum (CEE) s.r.l, a wholly owned Romanian subsidiary, was liquidated resulting in the release of a cumulative gain of \$7.0 million on the historic foreign currency translation of this entity from other comprehensive income to the statement of profit or loss.

The head office building was shown as held for sale at 30 June 2018 with its carrying value impaired by \$1.2 million down to the sale price less costs to sell of \$21.2 million. The sale completed on 12 July 2018. Beach also entered into a sale agreement in FY18 for exploration permit EP 126 in the Bonaparte Basin. This transaction was completed at the end of January 2019 which along with other joint venture interests sold during FY19 resulted in a gain of \$0.6 million.

26. Business combination

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Transaction costs incurred in relation to the business combination are expensed as incurred to the Statement of Profit or Loss. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill.

26. Business combination (continued)

During the previous financial year, Beach finalised the acquisition accounting for the Lattice Energy Group, Benaris' interest in the Otway Gas Project and Toyota Tsusho corporations interest in the Otway Gas Project and the BassGas project. Beach acquired these interests for \$1,532 million in consideration with an effective accounting acquisition date of 1 January 2018. Lattice was Origin's conventional upstream oil and gas business that has interests in the offshore Victorian (OGP and BassGas), onshore Cooper Basin (SACB JV and SWQ JVs), onshore Perth Basin (Waitsia development project and Beharra Springs) and offshore New Zealand (Kupe) operations, as well as exploration exposure in the Bonaparte (offshore Western Australia) and Canterbury Basin (New Zealand). Lattice also has ownership interests in a number oil and gas processing facilities, transportation flowlines and trunklines that deliver product to the Australian East Coast, West Coast and New Zealand gas markets. The Lattice acquisition included the acquisition of Benaris' 27.77% interest in OGP for which Origin had entered into a binding purchase agreement and the Toyota Tsusho transaction increased Beach's ownership in OGP to 100% and BassGas Project to 53.75%.

These acquisitions have transformed Beach from a Cooper Basin oil and gas producer and explorer to a multi-basin producer and explorer with significant development potential and had the following effect on the consolidated entity. The provisional acquisition entries booked in FY18 were further adjusted in FY19 as shown below following a further detailed review of the assets and liabilities acquired. There is no impact of these changes in the current year and the impact on the prior year was not material.

	Provisional \$million	Final \$million
Purchase consideration	1,532.0	1,532.0
Fair value of net assets acquired	1,448.1	1,474.9
Goodwill on acquisition	83.9	57.1
Fair Value of assets acquired		
Assets and liabilities held at acquisition date:		
- Cash	79.0	79.0
- Receivables	93.8	93.8
- Inventory	57.7	57.7
- Other current assets	4.8	17.8
- Other non-current assets	-	66.6
- Deferred tax assets	-	1.5
- Petroleum assets	1,594.5	1,775.5
- Exploration and evaluation assets	436.3	435.0
- Current payables	(163.6)	(163.6)
- Other current liabilities	-	(100.3)
- Current provisions	(17.6)	(17.6)
- Non current payables	(46.6)	(46.6)
- Other non-current liabilities	-	(160.3)
- Restoration liabilities	(501.1)	(501.2)
- Deferred tax liabilities	(83.8)	(57.1)
- Other non-current provisions	(5.3)	(5.3)
Net assets	1,448.1	1,474.9
Cash consideration	(1,532.0)	(1,532.0)
Less cash acquired on acquisition	79.0	79.0
Net cashflow on acquisition	(1,453.0)	(1,453.0)

The Statement of Profit or Loss includes integration costs incurred for FY20 of \$nil (FY19 \$1.6 million) for both acquisitions. Goodwill arising from the acquisition has been recognised as the excess of the consideration paid above the fair value of the assets acquired and liabilities assumed as a part of the business combination. The goodwill is attributable to the deferred tax liability recognised on the acquisition. None of the goodwill recognised is expected to be deductible for tax purposes.

Other information

Additional information required to be disclosed under Australian Accounting Standards.

27. Accounting policies

Adoption of new and revised accounting standards

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

AASB 16 Leases

The Group applies, for the first time, AASB 16 Leases from 1 July 2019. 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 FY19 has not been restated. The lease assets are initially measured to be equal to the lease liabilities and adjusted for any lease incentives received, initial direct costs and estimates of costs to dismantle or remove the underlying leased asset. Subsequently the lease asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

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.

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

- Lease assets

Lease assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of lease 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 lease 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 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.

The impact on transition

1 July 2019
\$million

Consolidated statement of financial position

Lease assets	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 3.4%.

Before adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the present value of the minimum lease payments. In an operating lease, the lease was recognised as an expense on a straight-line basis over the lease term.

27. Accounting policies (continued)**AASB 16 Leases (continued)**

The table below reconciles the Group's operating lease commitments at 30 June 2019 to the transition lease liabilities recognised at 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 arrangements	41.2
Redetermination of lease term	18.4
Impact of discounting	(7.5)
Lease liabilities recognised on transition	96.8

The table below states the impact of AASB 16 recognised in the consolidated statement of profit or loss and other comprehensive income for the 12 month ended 30 June 2020:

	Notes	June 2020 \$million
Consolidated statement of profit or loss and other comprehensive income		
Expenses		
Depreciation expense on lease assets	(i)	5.8
Depreciation expense on lease assets, related to joint venture recoveries	(i)	15.5
Operating costs	(ii)	(6.8)
Finance costs associated with lease liabilities		3.0
Foreign exchange loss		0.9
Income		
Other income related to joint venture lease recoveries		15.5
Tax benefit		0.9
Net loss after income tax expense		(2.0)

The table below states the impact of AASB 16 recognised in the consolidated statement of financial position at 30 June 2020:

	Notes	June 2020 \$million
Consolidated statement of financial position		
Assets		
Non-current assets	(ii)	0.5
Lease assets		58.7
Deferred tax asset		0.9
Liabilities		
Lease liabilities		62.1
Net impact on net assets		(2.0)

The table below states the impact of AASB 16 recognised in the consolidated statement of financial position at 30 June 2020:

	Notes	June 2020 \$million
Consolidated statement of cash flows		
Cash flows from operating activities	(iii)	18.9
Cash flows from investing activities	(iv)	35.3
Cash flows from financing activities	(v)	(54.2)
Net impact on cash flows		-

(i) Depreciation expense represents depreciation of \$56.7m, offset by capitalised depreciation of \$35.4m for leases working on projects capital in nature.

(ii) The movement 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.

(iii) Represents impact of other income related to joint venture lease recoveries, removal of payments for operating lease costs incurred (previously under AASB 117), which were expensed through operating costs, and payments of lease liability financing costs.

(iv) Represents impact of removal of payments for operating lease costs incurred (previously under AASB 117), which were capitalised to non-current assets.

(v) Represents impact of payments of principal portion of lease liabilities.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Group has applied AASB interpretation 23 from 1 July 2019. This Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The recognition, measurement and disclosure requirements of the standard have been applied to any uncertain tax treatments.

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

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

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

This amendment updates the definition of a business in AASB 3 Business Combinations to help determine whether an acquired set of activities and assets is a business or not. The amendment requires prospective application and will provide further clarity on the accounting treatment for future acquisition transactions. This amendment is applicable to annual reporting periods beginning on or after 1 January 2020. The Group plans to adopt the new amendment on the required effective date.

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

These amendments to AASB 9 Financial Instruments were issued in response to the effects of Interbank Offered Rates reform on financial reporting and provide mandatory temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. This amendment is applicable to annual reporting periods beginning on or after 1 January 2020. The Group plans to adopt the new amendment on the required effective date.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. This amendment is applicable to annual reporting periods beginning on or after 1 January 2022. The Group plans to adopt the new amendment on the required effective date.

28. Contingent liabilities

The directors are of the opinion that the recognition of a provision is not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Service agreements

Service agreements exist with other executive officers under which termination benefits may, in appropriate circumstances, become payable. The maximum contingent liability at 30 June 2020 under the service agreements for the other executive officers is \$1,688,879 (FY19 \$1,964,450).

Bank guarantees

As at 30 June 2020, Beach has been provided with a \$75 million letter of credit facility, of which \$71.5 million had been utilised by way of bank guarantees or letters of credit as security predominantly for our environmental obligations and work programs (refer Note 15 for further details on the corporate debt facility).

Joint Venture Operations

In the ordinary course of business, the Group participates in a number of joint ventures which is a common form of business arrangement designed to share risk and other costs. Failure of the Group's joint venture partners to meet financial and other obligations may have an adverse financial impact on the Group.

Tax obligations

In the ordinary course of business, the Group is subject to audits from government revenue authorities which could result in an amendment to historical tax positions.

Parent Company Guarantees

Beach has provided parent company guarantees in respect of performance obligations for certain exploration interests.

Legal proceedings and claims

The Group may be involved in various other legal proceedings and claims in the ordinary course of business, including contractual, third party, contractor and regulatory claims. While the outcome of these legal proceedings and claims cannot be predicted with certainty, it is the directors' opinion that as of the date of this report, it is unlikely these claims will have a material adverse impact on the Group.

29. Remuneration of auditors

	Consolidated	
	2020 \$000	2019 \$000
Audit of statutory financial statements		
Amounts received or due and receivable by Ernst & Young for:		
– auditing or reviewing the financial statements of the Group	801	1,275
– auditing the financial statements for subsidiaries	135	135
Amounts received or due and receivable by other firms for:		
– auditing the financial statements for subsidiaries	19	17
Total audit of statutory financial statements	955	1,427
Other assurance services performed by Ernst & Young		
Other assurance services required by legislation to be performed by Ernst & Young	35	35
Other assurance services not required by legislation to be performed by Ernst & Young	145	87
Total audit and assurance services	1,135	1,549
Other services performed by Ernst & Young	35	143

30. Subsequent events

On 17 August 2020 Beach announced that the company (through its subsidiary Beach Energy (Operations) Limited) with support from its joint venture partner O.G. Energy has executed a new offshore drilling agreement ("Agreement") with Diamond Offshore General Company ("Diamond") for the use of the Ocean Onyx Semi-submersible rig to undertake Beach's Victorian Otway offshore drilling program.

The Agreement provides for the drilling of up to 9 wells (6 firm and 3 options), with drilling operations expected to commence between December 2020 and March 2021 (subject to extension, should certain conditions occur that impact on timing of commencement). Concurrent with the signing of the Agreement, Beach and Diamond have also signed a Settlement Agreement, which (following approval by the Bankruptcy Court) dismisses all current legal proceedings regarding the termination of the previous drilling agreement. The Agreement remains subject to a number of conditions precedent that are administrative in nature (including the Bankruptcy court approval of the Settlement Agreement) which are expected to be satisfied within the next few weeks.

Other than the matters described above, there has not arisen in the interval between 30 June 2020 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, unless otherwise noted in the financial report.

Independent Auditor's Report



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Beach Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Carrying value of petroleum assets

Why significant

At 30 June 2020 the Group had petroleum assets of \$2,987 million.

Australian Accounting Standards require the Group to assess throughout the reporting period whether there is any indication that an asset may be impaired, or that reversal of a previously recognised impairment may be required. If any such indication exists an entity shall estimate the recoverable amount of the asset.

The assessment of indicators of impairment and reversal of impairment is judgmental and includes an assessment of a range of external and internal factors which could impact the recoverable amount of the CGUs.

Where impairment indicators are identified, the impairment testing process can be complex and highly judgmental and is affected by expected future performance and market conditions. The key assumptions, judgments and estimates used in the Group's impairment assessment are set out in the Financial Report in Note 9.

The Group's performance has been affected by economic uncertainty resulting from the COVID-19 pandemic. The key assumptions used in the impairment assessment referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. At 30 June 2020, reasonably possible changes in certain key assumptions can result in significant changes to the Group's estimate of recoverable amount of its petroleum assets.

How our audit addressed the key audit matter

In completing our audit procedures, we:

- ▶ Assessed the Group's definition of cash generating units in accordance with Australian Accounting Standards.
- ▶ Evaluated the assumptions, methodologies and conclusions used by the Group in assessing for indicators of impairment and impairment reversal, in particular, those relating to the forecast cash flows and inputs used to formulate them. This included assessing, in conjunction with our valuation specialists, the discount rates, foreign exchange rates and commodity prices with reference to market prices (where available), market research, market practice, market indices, broker consensus and historical performance.
- ▶ Used the work of the Group's internal and external experts with respect to the hydrocarbon reserve assumptions used in the cash flow forecasts. This included understanding the reserve estimation processes carried out, and assessing the qualifications, competence and objectivity of the Group's experts, the scope and appropriateness of their work.
- ▶ Analysed forecast cost assumptions against historical performance and the latest approved budgets and forecasts.
- ▶ Considered the Group's market capitalisation.
- ▶ Considered the carrying value of producing assets against recent comparable market transactions and the market value of comparable companies, where available.
- ▶ Assessed the adequacy of the disclosures in Note 9 and basis of preparation of the financial report

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In this situation, the disclosures in the financial report about the assumptions used in impairment testing and sensitivity of recoverable amount to those assumption is of heightened importance. As such, we consider the impairment assessment and the related disclosures in the financial report to be a key audit matter.

For the same reasons, we draw attention to the information in Note 9 and basis of preparation.

2. Impairment assessment of capitalised exploration and evaluation expenditure

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2020 the Group had exploration and evaluation assets of \$462 million.</p> <p>The carrying value of exploration and evaluation assets is subjective based on the Group's ability and intention, to continue to explore the assets. The carrying value may also be impacted by the results of exploration work indicating that the oil and gas resources may not be commercially viable for extraction. The Group is required to assess whether any indicators of impairment are present.</p> <p>Key assumptions, judgements and estimates used in the impairment indicator assessment can lead to significant changes in respect to whether economic quantities of hydrocarbons can be commercialised or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.</p> <p>With the recent market downturn experienced both as a result of COVID-19 and the global fall in oil prices, the Group have reduced capital work programs and deferred previously planned expenditure. As such, we consider the impairment assessment and the related disclosures in the financial report to be a key audit matter. For the same reasons, we draw attention to the information in Note 10.</p>	<p>We evaluated the Group's assessment of the carrying value of exploration and evaluation assets. In obtaining sufficient audit evidence, we:</p> <ul style="list-style-type: none"> ▶ Assessed the Group's definition of area of interest in accordance with Australian Accounting Standards. ▶ Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and correspondence with relevant government agencies. ▶ Considered the Group's intention to carry out significant exploration and evaluation activities in relevant exploration areas, or plans to transfer the assets to petroleum assets. This included assessment of the Group's budgets and enquiries with senior management and directors as to the intentions and strategy of the Group. ▶ Assessed the carrying value of exploration and evaluation assets where recent exploration activity, in a given licensed area, provided negative indicators as to the recoverability of amounts capitalised. ▶ Considered the commercial viability of results relating to exploration and evaluation activities carried out in the relevant licensed areas.

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The Group identified impairment indicators in respect of certain exploration and evaluation assets. Impairment testing was undertaken which resulted in an impairment charge of \$1.6 million being recorded during the year, as set out in Note 10 of the Financial Report.

- ▶ Assessed the Group's ability to finance any planned future exploration and evaluation activity.
- ▶ Assessed the adequacy of the disclosures in Note 10 of the financial report.

3. Provisionally priced oil revenue

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2020 the Group recorded \$89.1 million of provisionally priced oil revenue (30 June 2019: 94.5 million), which represents a significant portion (11%) of total annual oil revenue (30 June 2019: 12%).</p> <p>In accordance with contractual terms within the Crude Oil Sale and Purchase Agreement ('COSPA'), risk and title of oil produced in the Cooper Basin is transferred to the South Australian Cooper Basin Joint Venture ('SACBJV'), when the oil reaches the Moomba processing facility. The supply of oil to the Moomba processing facility is the point the Group satisfies the performance obligation to the SACBJV in respect of the supply of oil. Revenue is calculated using forecast oil price estimates when title has passed with actual invoices not raised until the oil has shipped from Port Bonython.</p> <p>Given the complexity in calculating volume of oil supplied and judgment in the application of the estimated transaction price, there can be significant variations in the final revenue value recorded on invoicing. As such, this was considered a key audit matter.</p> <p>Disclosure regarding this matter can be found in Note 2 of the Financial Report.</p>	<p>In completing our audit procedures, we:</p> <ul style="list-style-type: none"> ▶ Assessed the point and recognition of revenue with reference to executed contracts between the parties and the requirements of Australian Accounting Standards. ▶ Obtained directly from the SACBJV an independent confirmation of barrels of oil received at the Moomba processing facility, but not yet shipped via Port Bonython. ▶ For all provisionally priced revenue barrels sold, assessed the estimated sales price applied by the Group to forward commodity price assumptions together with estimates of quality premiums and exchange rates for the period in which settlement is likely to occur with reference to contractual arrangements and Brent oil price futures. ▶ Selected shipments which occurred close to the period end and assessed whether revenue was recorded in the correct period. ▶ Selected and examined subsequent cash receipts



Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



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- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 57 to 72 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Beach Energy Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'AJ' followed by a horizontal line.

Anthony Jones
Partner
Adelaide
17 August 2020

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Glossary of terms

A\$ or \$	Australian dollars
1C	Contingent resource low estimate ⁽¹⁾
2C	Contingent resource best estimate ⁽¹⁾
3C	Contingent resource high estimate ⁽¹⁾
3D	Three dimensional
1P	Proved reserve estimate ⁽¹⁾
2P	Proved and probable reserve estimate ⁽¹⁾
3P	Proved, probable and possible reserve estimate ⁽¹⁾
AASB	Australian Accounting Standards Board
AGM	Annual General Meeting
AOI	Area of interest
ASX	Australian Securities Exchange
ATP	Authority To Prospect (QLD)
Adelaide Brighton	Adelaide Brighton Cement Ltd, a wholly owned subsidiary of Adelaide Brighton Limited (ASX: ABC)
Alinta Energy	Alinta Energy Retail Sales Pty Ltd
BassGas Project	Producing assets: Beach 53.75% and operator, Mitsui 35%, Prize 11.25%; Exploration permits: Beach 50.25% and operator, Mitsui 40%, Prize 9.75% Includes the producing Yolla field (tenement T/L1), the BassGas pipeline and Lang gas plant as well as separate retention leases over the Trefoil, Rockhopper and White Ibis discoveries (tenements T/RL2, T/RL3, T/RL4 and T/RL5)
bbl	Barrels
Bcf	Billion cubic feet
Beach	Beach Energy Limited
Beharra Springs	Beach 50% and operator, Mitsui 50%. Consists of the Beharra Springs, Redback Terrace and Tarantula gas fields and the Beharra Springs gas processing facilities
Benaris assets or interests	Refers to 27.77% of OGP, acquired by Lattice, as announced by Origin on 11 September 2017
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
Board	Board of Directors of Beach
Bridgeport	Bridgeport (Cooper Basin) Pty Ltd
CAGR	Compounded annual growth rate
CCS	Carbon Capture and Storage
CGU	Cash generating unit
Company	Beach and its subsidiaries
Cooper Energy	Cooper Energy Ltd

Cooper Basin	Includes both Cooper and Eromanga Basins
CBJV (Cooper Basin JV)	The various joint venture interests owned by Beach's wholly owned subsidiaries Delhi and Lattice in the SACB JVs and SWQ JVs
DBNGP	Dampier to Bunbury Natural Gas Pipeline
Delhi	Delhi Petroleum Pty Ltd
Drillsearch	Drillsearch Energy Pty Ltd
DTA	Deferred tax assets
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIP	Executive Incentive Plan
Entitlement offer	\$301 million 3 for 14 pro-rata accelerated non-renounceable entitlement offer
EP	Exploration Permit (NT)
EPS	Earnings per share
Ex PEL 91	PRLs 151 to 172 and various production licences
Ex PEL 92	PRLs 85 to 104 and various production licences
Ex PEL 104 / 111	PRLs 136 to 150 and various production licences
Ex PEL 106	PRLs 129 and 130 and various production licences
Ex PEL 513	PRLs 191 and 206 and various production licences
Ex PEL 632	PRLs 131 to 134 and various production licences
Free cash flow	Operating cash flow less investing cash flow (excluding acquisitions and divestitures)
FY20	Financial year 2020
Genesis	Genesis Energy Limited and its subsidiaries
Group	Beach and its subsidiaries
GSA	Gas sales agreement
GJ	Gigajoule
HBWS	Halladale/Black Watch/Speculant fields in the offshore Otway Basin in licenses VIC/L1(v) and VIC/P42(v)
H1 FY20	First half year period of FY20
IFRS	International Financial Reporting Standards
kbbl	Thousand barrels of oil
kboe	Thousand barrels of oil equivalent
km	Kilometre
KMP	Key management personnel
KPI	Key performance indicator
kt	Thousand tonnes

Kupe	Kupe Gas Project. Beach 50% and operator, Genesis 46%, NZOG 4%. Consists of offshore Kupe gas field in the Taranaki Basin, the Kupe offshore platform, Kupe gas plant and associated infrastructure	PRMS	Petroleum Resources Management System
Lattice	Lattice Energy Limited	PRRT	Petroleum Resource Rent Tax
LNG	Liquefied natural gas	Q1 FY20	First quarter of FY20
LPG	Liquefied petroleum gas	ROC	Return on capital
LTi	Long term incentive	Red Sky	Red Sky Energy Limited
Mitsui	Mitsui & Co., Ltd and its subsidiaries	SACB JVs	South Australian Cooper Basin Joint Ventures
MMbbl	Million barrels of oil	South Australian Cooper Basin Joint Ventures	The Fixed Factor Area (Beach 33.4%, Santos 66.6%) and the Patchawarra East Block (Beach 27.68%, Santos 72.32%)
MMboe	Million barrels of oil equivalent	Santos	Santos Limited and its subsidiaries
MMscf	Million standard cubic feet of gas	SAWA	South Australia Western Australia reporting segment
MMscfd	Million standard cubic feet of gas per day	Senex	Senex Energy Limited
Net Gearing	The ratio of net debt/(cash) to the sum of net debt/(cash) and total book equity	SGH	Seven Group Holdings Limited
NPAT	Net profit after tax	SPE	Society of Petroleum Engineers
NZ	New Zealand	STI	Short Term Incentive
NZOG	New Zealand Oil & Gas Limited and its subsidiaries	SWQ JVs	South West Queensland Joint Ventures
O.G. Energy	O.G. Energy Holdings Limited, a member of the Ofer Global group of companies	South West Queensland Joint Ventures	Includes the SWQ Gas Unit and exploration and oil production licences – various equity interests (Beach 30–52.2%)
OGP	Otway Gas Project. Beach 60% and operator. Consists of offshore gas fields Thylacine and Geographe, the Thylacine Well Head Platform, Otway Gas Plant and associated infrastructure	Tcf	Trillion cubic feet
OMV	OMV Group and its subsidiaries	TFR	Total Fixed Remuneration
Origin	Origin Energy Limited and its subsidiaries	TJ	Terajoule
Otway Sale	Sale of 40% of Beach's Victorian Otway interests to O.G. Energy (for additional information please refer to ASX announcement REF: #047/18)	TJd	Terajoules per day
PACE	The South Australian Plan for Accelerating Exploration gas grant scheme	Toyota Tsusho	Toyota Tsusho Corporation and related parties
PCP	Prior corresponding period	Toyota Tsusho assets or interests	Refers to 5% of OGP and 11.25% of the BassGas Project. Refer Beach's ASX release #098/17 of 21 December 2017 for further information
PEL	Petroleum Exploration Licence (SA)	TRIFR	Total recordable injury frequency rate
PEP	Petroleum Exploration Permit (Victoria and NZ)	TSR	Total shareholder return
PL	Petroleum Lease (QLD)	Udacha Block	PRL 26
PPL	Petroleum Production Licence (SA)	US\$	United States \$
PJ	Petajoule	Waitsia	Beach 50%, Mitsui 50% and operator. The project consists of the Waitsia Gas Project, an interest in the Xyris production facility and other in-field pipelines
Prize	Prize Petroleum Licence		
PRL	Petroleum Retention Licence (SA)		

(1) Complete definitions for Reserves and contingent resources are contained within "Petroleum Resources Management Systems (revised June 2018) better known as PRMS 2018.

Schedule of Tenements

For the year ended 30 June 2020

Cooper/Eromanga – Queensland

Subsidiary Company	Tenement	%
Maw 6.50% Delhi 32%	ATP 1189 ex ATP 259 (Naccowlah Block) ¹	38.5%
Delhi 22.5% BEOL 25%	ATP 1189 ex ATP 259 (Aquitaine A Block) ²	47.5%
Delhi 20% BEOL 25%	ATP 1189 ex ATP 259 (Aquitaine B Block) ³	45%
Delhi 25.2% BEOL 27%	ATP 1189 ex ATP 259 (Aquitaine C Block) ⁴	52.2%
Delhi	ATP 1189 ex ATP 259 (Innamincka Block) ⁵	30%
Delhi	ATP 1189 ex ATP 259 (Total 66 Block) ⁶	30%
Delhi 28.8% BEOL 10%	ATP 1189 ex ATP 259 (Wareena Block) ⁷	38.8%
Delhi	PL 55 (50/40/10)	40%
Delhi 23.2% BEOL 16.7375%	SWQ Gas Unit ⁸	39.9375%
Circumpacific	ATP 940	100%

Cooper/Eromanga – South Australia

Subsidiary Company	Tenement	%
BPT	PPL 204 (Sellicks Oil Field)	75%
BPT	PPL 205 (Christies Oil Field)	75%
BPT	PPL 210 (Aldinga Oil Field)	50%
BPT 40% DLS 30% GAOG 30%	PPL 212 (Kiana Oil Field)	100%
BPT	PPL 220 (Callawonga Oil Field)	75%
BPT	PPL 224 (Parsons Oil Field)	75%
BPT 50% GAOG 50%	PPL 239 (Middleton/Brownlow Fields)	100%
Springfield 15% Impress (CB) 25%	PPL 240 (Snatcher Oil Field)	40%
Springfield 15% Impress (CB) 25%	PPL 242 (Growler Oil Field)	40%
Springfield 15% Impress (CB) 25%	PPL 243 (Mustang Oil Field)	40%
BPT	PPL 245 (Butlers Oil Field)	75%
BPT	PPL 246 (Germein Oil Field)	75%
BPT	PPL 247 (Perlubie Oil Field)	75%
BPT	PPL 248 (Rincon Oil Field)	75%

Subsidiary Company	Tenement	%
BPT	PPL 249 (Elliston Oil Field)	75%
BPT	PPL 250 (Windmill Oil Field)	75%
BPT 40% GAOG 60%	PPL 253 (Bauer/Bauer-North/ Chiton/Arno Oil Fields)	100%
BPT 40% GAOG 60%	PPL 254 (Congony/Kalladeina Oil Fields)	100%
BPT 40% GAOG 60%	PPL 255 (Hanson/Snelling Oil Fields)	100%
BPT 40% GAOG 60%	PPL 256 (Sceale Oil Field)	100%
BPT 50% GAOG 50%	PPL 257 (Canunda/Coolawang Fields)	100%
Springfield 15% Impress (CB) 25%	PPL 258 (Spitfire Oil Field)	40%
BPT 40% GAOG 60%	PPL 260 (Stunsail Oil Field)	100%
BPT 40% GAOG 60%	PPL 261 (Pennington Oil Field)	100%
BPT 40% GAOG 60%	PPL 262 (Balgowan Oil Field)	100%
Springfield 15% Impress (CB) 25%	PPL 263 (Martlett North Oil Field)	40%
Springfield 15% Impress (CB) 25%	PPL 264 (Martlett Oil Field)	40%
Springfield 15% Impress (CB) 25%	PPL 265 (Marauder Oil Field)	40%
Springfield 15% Impress (CB) 25%	PPL 266 (Breguet Oil Field)	40%
Acer	PPL 268 (Vanessa Gas Field)	43%
BPT 40% GAOG 60%	ex PEL 91 ⁹	100%
BPT	GSEL 648 (ex PEL 91)	40%
BPT	ex PEL 92 ¹⁰	75%
BPT	GSEL 634 (ex PEL 92)	75%
BPT	PEL 94	50%
BPT	PEL 95	50%
Acer	ex PEL 101 ¹¹	100%
Acer	GSEL 652 (ex PEL 101) ¹¹	100%
Springfield 15% Impress (CB) 25%	ex PEL 104 ¹⁴	40%
Springfield 15% Impress (CB) 25%	PRL 15 (Growler Block)	40%

Subsidiary Company	Tenement	%
BPT 50% GAOG 50%	ex PEL 106 ¹²	100%
BPT 50% GAOG 50%	GSEL 646 (ex PEL 106)	100%
BPT 40% DLS 20% GAOG 40%	ex PEL 107 ¹³	100%
BPT	GSEL 653 (ex PEL 107)	40%
Springfield 15% Impress (CB) 25%	ex PEL 111 ¹⁴	40%
Acer	PEL 182	43%
Acer	ex PEL 182 ¹⁵	43%
BPT	ex PEL 218 ¹⁶	100%
DLS (513)	ex PEL 513 ¹⁷	40%
Ambassador	PEL 570	47.5%
BPT	PEL 630	50%
GAOG	ex PEL 632 ¹⁸	40%
Delhi 12.86% BEOL 7.902%	Reg Sprigg West Unit	20.762%
BPT 25% DLS Gas 30% GAOG 45%	PRL 26 (Udacha Unit)	100%
BPT 25% DLS Gas 30% GAOG 45%	GSEL 645 (ex Udacha Unit)	100%
Delhi 17.14% BEOL 10.536%	Patchawarra East ¹⁹	27.676%
Delhi	Fixed Factor Agreement ²⁰	20.21%
Delhi 20.21% BEOL 13.19%	SA Unit	33.4%

Otway - South Australia

Subsidiary Company	Tenement	%
ADE	PEL 494	70%
ADE	GSEL 654	70%
ADE	PPL 62 (Katnook)	100%
ADE	PPL 168 (Redman)	100%
ADE	PPL 202 (Haselgrove)	100%
ADE	PRL 1 (Wynn)	100%
ADE	PRL 2 (Limestone Ridge)	100%
ADE	PRL 13 (Killanoola Field)	100%
ADE	PRL 32 (ex PEL 255)	70%
ADE	GSRL 27	100%

Arrowie - South Australia

Subsidiary Company	Tenement	%
BPT	GEL 156 ²¹	21%

Otway - Victoria - Onshore

Subsidiary Company	Tenement	%
BPT 10% BEOL 90%	PPL 6 (McIntee Gas Field)	10%
BPT 10% BEOL 90%	PPL 9 (Lavers Gas Field)	10%
BPT	PEP 168	50%

Otway - Victoria - Offshore/nearshore

Subsidiary Company	Tenement	%
BEOL	Vic/P42(V)	60%
BEOL	Vic/P43	60%
BEOL 55% BEOTL 5%	Vic/L23	60%
BEOL	Vic/L1(V)	60%
BEOL	Vic/P73	60%

Browse - Western Australia

Subsidiary Company	Tenement	%
BPT	WA-80-R	7.34%

Bonaparte Basin - Western Australia

Subsidiary Company	Tenement	%
BEOL	WA-454-P	50%
BEBPL	WA-6-R (West Petrel)	5.75%

Otway (Offshore) - Tasmania

Subsidiary Company	Tenement	%
BEOL	T/30P	100%
BEOL 55% BEOTL 5%	T/L2 (Thylacine)	60%
BEOL 55% BEOTL 5%	T/L3 (Thylacine South)	60%

Bass Basin - Tasmania

Subsidiary Company	Tenement	%
BEOL 37.5% BEBGL 5% BPT 11.25%	T/L1 (Yolla)	53.75%
BEOL 39% BPT 11.25%	TR/L2	50.25%
BEOL 39% BPT 11.25%	TR/L3	50.25%
BEOL 39% BPT 11.25%	TR/L4	50.25%
BEOL 39% BPT 11.25%	TR/L5	50.25%

Carnarvon - Western Australia

Subsidiary Company	Tenement	%
BPT	WA-359-P	21%

Perth Basin - Western Australia

Subsidiary Company	Tenement	%
BEPBPL	EP 320	50.00%
BEPBPL	L11/L22 (Beharra Springs)	50.00%
BEPBPL	L1/L2 (Waitsia Excluding Dongara, Mondarra and Yardarino)	50.00%

Bonaparte - Northern Territory

Subsidiary Company	Tenement	%
BEOL	NT/P82	50.00%
BEOL	NT/P84	50.00%
BEOL	NT/P85	50.00%
BEBPL	NT/RL1	5.75%

Great South Basin - New Zealand

Subsidiary Company	Tenement	%
BERNZT 15% BERNZHL 15%	PEP 50119	30.00%

Canterbury - New Zealand

Subsidiary Company	Tenement	%
BPT (NZ)	PEP 52717	50%
BERNZHL	PEP 38264 ²²	37.50%

Northern Taranaki Graben - New Zealand

Subsidiary Company	Tenement	%
BPT (NZ)	PEP 57080 ²³	0%

Taranaki Basin - New Zealand

Subsidiary Company	Tenement	%
BERNZKL Kupe Mining No.1 Ltd	PML 38146 (Kupe)	50%

1. The Naccowlah Block consists of ATP 1189 ex ATP 259 (Naccowlah) and PLs 23-26, 35, 36, 62, 76-79, 82, 87, 133, 149, 175, 181, 182, 189, 287, 302, 495, 496, PLA 1026. Note sub-leases of PLs (gas) to SWQ Unit and PCAs 251, 269, 271.
2. The Aquitaine A Block consists of ATP 1189 ex ATP 259 (Aquitaine A) and PLs 86, 131, 146, 177, 208 and 254. Note sub-leases of part PLs (gas) to SWQ Unit and PCA 276.
3. The Aquitaine B Block consists of ATP 1189 ex ATP 259 (Aquitaine B) and PLs 59 - 61, 81, 83, 85, 108, 111, 112, 132, 135, 139, 147, 151, 152, 155, 205, 288, PL 508, 509, 1013, PLA 1014, PLA 1035. Note sub-leases of part of PLs (gas) to SWQ Unit and PCA 248.
4. The Aquitaine C Block consists of ATP 1189 ex ATP 259 (Aquitaine C) and PLs 138 and 154.
5. The Innamincka Block consists of ATP 1189 ex ATP 259 (Innamincka) and PLs 58, 80, 136, 137, 156, 159 and 249. Note sub-leases of part PLs (gas) to SWQ Unit and PCAs 270, 278, 281, 282, 283.
6. The Total 66 Block consists of ATP 1189 ex ATP 259 (Total 66) and PLs 34, 37, 63, 68, 75, 84, 88, 110, 129, 130, 134, 140, 142 - 144, 150, 178, 186, 193, 241, 255, 301, 502 PLA 497 and PLA 513. Note sub-leases of part of PLs (gas) to SWQ Unit and PCAs 252, 253, 254, 275, 279, 280.
7. The Wareena Block consists of ATP 1189 ex ATP 259 (Wareena) and PLs 113, 114, 141, 145, 148, 153, 157, 158, 187, 188, 411 and PL 1016. Note sub-leases of part of PLs (gas) to SWQ Unit and PCAs 250, 268, 272, 273, 274, 277.
8. The SWQ Gas Unit consists of subleases of PLs within the gas production area of Naccowlah Block, Aquitaine A Block, Aquitaine B Block, Innamincka Block, Wareena Block and Total 66 Block.
9. ex PEL 91 consists of PRLs 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171 and 172.
10. ex PEL 92 consists of PRLs 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103 and 104.
11. ex PEL 101 consists of PRLs 173 and 174.
12. ex PEL 106 consists of PRLs 129 and 130.
13. ex PEL 107 consists of PRLs 175, 176, 177, 178 and 179.
14. ex PEL 104/111 consists of PRLs 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149 and 150.
15. ex PEL 182 consists of PRLs 135, 238, 239, 240, 241, 242, 243 and 244.
16. ex PEL 218 (Permian) consists of Permian section of PRLs 35, 37, 38, 41, 43, 44, 45, 48 and 49.
17. ex PEL 513 consists of PRLs 191 and 206.
18. ex PEL 632 consists of PRLs 131, 132, 133 and 134.
19. Patchawarra East consists of PPLs 26, 76, 77, 118, 121 - 123, 125, 131, 136, 147, 152, 156, 158, 167, 182, 187, 194, 201 and 229.
20. The Fixed Factor Agreement consists of PPLs 6 - 20, 22 - 25, 27, 29 - 33, 35 - 48, 51 - 61, 63 - 70, 72 - 75, 78 - 81, 83, 84, 86 - 92, 94, 95, 98 - 111, 113 - 117, 119, 120, 124, 126 - 130, 132 - 135, 137 - 140, 143 - 146, 148 - 151, 153 - 155, 159 - 166, 172, 174 - 180, 189, 190, 193, 195, 196, 228 and 230 - 238.
21. Application to surrender in October 2019 subject to government approval.
22. Farm down of equity from 65% to 37.5%.
23. Application to transfer interest subject to government approval.

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Subsidiary Companies

Acer	Acer Energy Pty Ltd
Ambassador	Ambassador Exploration Pty Ltd
ADE	Adelaide Energy Pty Ltd
BEBGL	Beach Energy (Bass Gas) Limited
BEBPL	Beach Energy (Bonaparte) Pty Limited
BPT (NZ)	Beach Petroleum (NZ) Pty Ltd
BEOPPL	Beach Energy (Offshore) Pty Ltd
BEOL	Beach Energy (Operations) Limited
BEOTL	Beach Energy (Otway) Limited
BEPBPL	Beach Energy (Perth Basin) Pty Limited
BERNZCL	Beach Energy NZ (Clipper) Limited
BERNZHL	Beach Energy Resources NZ (Holdings) Limited
BERNZKL	Beach Energy Resources NZ (Kupe) Limited
BERNZT	Beach Energy Resources NZ (Tawhaki) Limited
BPT	Beach Energy Limited
Circumpacific	Circumpacific Energy (Australia) Pty Ltd
Delhi	Delhi Petroleum Pty Ltd
DLS (513)	Drillsearch (513) Pty Ltd
DLS	Drillsearch Energy Pty Ltd
DLS Gas	Drillsearch Gas Pty Ltd
GAOG	Great Artesian Oil & Gas Pty Ltd
Impress (CB)	Impress (Cooper Basin) Pty Ltd
Maw	Mawson Petroleum Pty Ltd
Springfield	Springfield Oil and Gas Pty Ltd

Tenements Acquired

PEP 50119.

Tenements Divested

n/a

Shareholder information

Share details - Distribution as at 3 August 2020

Range	Total holders	Units	% Units
1 - 1,000	7,785	3,786,529	0.17
1,001 - 5,000	11,088	30,578,920	1.34
5,001 - 10,000	5,499	41,683,324	1.83
10,001 - 100,000	7,673	208,369,579	9.13
100,001 Over	534	1,996,915,304	87.53
Rounding			0.00
Total	32,579	2,281,333,656	100.00

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$1.4250 per unit	351	2,855	384,530

Voting rights - fully paid ordinary shares

On a show of hands, every person qualified to vote, whether as a member or proxy or attorney or representative, shall have one vote. On a poll, every member shall have one vote for each share held.

Substantial shareholders as disclosed by notices received by Beach as at 3 August 2020

Name	Number of voting shares held	Date of Notice
Seven Group Holdings Limited and others	650,554,052	15 November 2018
Australian Capital Equity Pty Ltd, Wroxby Pty Ltd, North Aston Pty Ltd and others (ACE Group); Ashblue Holdings Pty Ltd, Tiberius (Seven Investments) Pty Ltd, Tiberius Pty Ltd and others (Tiberius Group); Mr Kerry Stokes AC and Kemast Investments Pty Ltd	650,554,052	15 November 2018

Twenty largest shareholders as at 3 August 2020

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	556,813,692	24.41
2	NETWORK INVESTMENT HOLDINGS PTY LTD	556,667,776	24.40
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	282,904,715	12.40
4	CITICORP NOMINEES PTY LIMITED	175,608,227	7.70
5	NATIONAL NOMINEES LIMITED	65,831,753	2.89
6	NETWORK INVESTMENT HOLDINGS PTY LTD	34,127,698	1.50
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	33,182,080	1.45
8	BNP PARIBAS NOMS PTY LTD <DRP>	31,709,581	1.39
9	NETWORK INVESTMENT HOLDINGS PTY LTD	26,843,311	1.18
10	NETWORK INVESTMENT HOLDINGS PTY LTD	18,742,950	0.82
11	NETWORK INVESTMENT HOLDINGS PTY LTD	14,172,317	0.62
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NTCOMNWLTH SUPER CORP A/C>	11,678,908	0.51
13	MR ROBERT LEE PETERSEN	9,945,117	0.44
14	AYERSLAND PTY LTD	9,583,148	0.42
15	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	7,692,940	0.34
16	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	6,160,515	0.27
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,361,390	0.19
18	MR MATTHEW VINCENT KAY	3,918,255	0.17
19	BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	3,275,620	0.14
20	MR KENNETH JOSEPH HALL <HALL PARK A/C>	3,200,000	0.14
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (Total)		1,856,419,993	81.37
Total Remaining Holders Balance		424,913,663	18.63

Corporate Information

Annual General Meeting

For information about the Annual General Meeting, please visit:
beachenergy.com.au/agm

Corporate Directory

Chairman

Glenn Stuart Davis

LLB, BEc, FAICD

Independent non-executive

Deputy Chairman

Colin David Beckett

FIEA, MICE, GAICD

Independent non-executive

Directors

Philip James Bainbridge

BSc (Hons) (Mechanical Engineering), MAICD

Independent non-executive

Matthew Kay

BEc, MBA, FCPA, GAICD

Managing Director

Sally-Anne Layman

B Eng (Mining) Hon, B Com, 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), LL.M, MAppFin

Non-executive

Ryan Kerry Stokes

BComm, FAIM

Non-executive

Company Secretary

Daniel Murnane

BA/LLB

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

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