



Half Year Financial Report

Focused on delivering

Beach Energy Limited
and Controlled Entities
ABN 20 007 617 969



For the six months ended
31 December 2021

In this report

Appendix 4D	3
Directors' Report	4
Auditor's Independence Declaration	12
Half Year Financial Report	13
Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Consolidated Statement of Financial Position	15
Consolidated Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17
Notes to the Half Year Consolidated Financial Statements	18
Directors' Declaration	30
Independent Auditor's Review Report	31
Glossary	33

Corporate Directory**Chairman****Glenn Stuart Davis**

LLB, BEc, FAICD
Independent non-executive

Deputy Chairman**Colin David Beckett AO**

FIEA, MICE, GAICD
Independent non-executive

Directors**Philip James Bainbridge**

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

Margaret Hall

B Eng (Met) (Hons), GAICD, MIEAust, SPE
Non-executive

Robert (Rob) Jager, ONZM

BE Mechanical Engineering (Hons), MBA (distinction). MAICD, CMIInstD, FENZ
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Independent non-executive

Richard Joseph Richards

BComs/Law (Hons), LL.M., MAppFin
Non-executive

Ryan Kerry Stokes AO

BComm, FAIM
Alternate non-executive for M Hall

Company Secretary**Daniel Murnane**

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Auditors**Ernst & Young**

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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

Disclaimer

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

All references to dollars, cents or \$ in this announcement are to Australian currency, unless otherwise stated. References to "Beach" may be references to Beach Energy Limited or its applicable subsidiaries. References to planned activities in FY22 and beyond FY22 may be subject to finalisation of work programs, government approvals, JV approvals and board approvals.

Appendix 4D

For the half year ended 31 December 2021
(Rule 4.2A)

ABN 20 007 617 969

Previous Corresponding Period 31 December 2020

Results for announcement to the market

				\$A million
Revenues from ordinary activities	Increased	10%	to	797.4
Net profit from ordinary activities after tax (NPAT) attributable to members	Increased	66%	to	212.9
NPAT for the period attributable to members	Increased	66%	to	212.9

Dividends	Amount per Security	Franked amount per Security
Fully franked final dividend paid (on 30 September 2021)	1.00 cent	1.00 cent
Fully franked interim dividend to be paid	1.00 cent	1.00 cent
Record date for determining entitlements to the interim dividend		28 February 2022
Payment date for interim dividend		31 March 2022

This Half Year Report is to be read in conjunction with the 2021 Annual Report.

Net tangible asset backing

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security*	\$1.38	\$1.24

* Net assets excluding goodwill and lease assets.

Change in ownership of controlled entities

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

Dividends

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

None of these dividends are foreign sourced.

Directors' Report

For the half year ended 31 December 2021

The directors of Beach Energy Limited (**Beach** or the **Company**) present their report for the half year ended 31 December 2021 and the state of affairs of the Company at that date. The Company's consolidated financial statements for the half year ended 31 December 2021, presented on pages 14–29, form part of this report.

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

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

Key Results		H1 FY22	H1 FY21	Change
Operations				
Production	MMboe	11.0	13.0	(15%)
Sales	MMboe	11.2	13.4	(16%)
Capital expenditure	\$m	(416.8)	(314.2)	(33%)
Income				
Sales revenue	\$m	786.2	705.3	11%
Total revenue	\$m	797.4	726.3	10%
Cost of sales	\$m	(481.5)	(498.5)	3%
Gross profit	\$m	315.9	227.8	39%
Other income	\$m	5.1	11.4	(55%)
Net profit after tax (NPAT)	\$m	212.9	128.4	66%
Dividends paid	cps	1.00	1.00	0%
Dividends announced	cps	1.00	1.00	0%
Basic EPS	cps	9.34	5.63	66%
Cash flows				
Operating cash flow	\$m	605.4	295.8	105%
Investing cash flow	\$m	(428.3)	(344.8)	(24%)
		As at 31 December 2021	As at 30 June 2021	Change
Financial position				
Net assets	\$m	3,278.9	3,087.8	6%
Cash balance	\$m	213.2	126.7	68%

Directors' Report

For the half year ended 31 December 2021

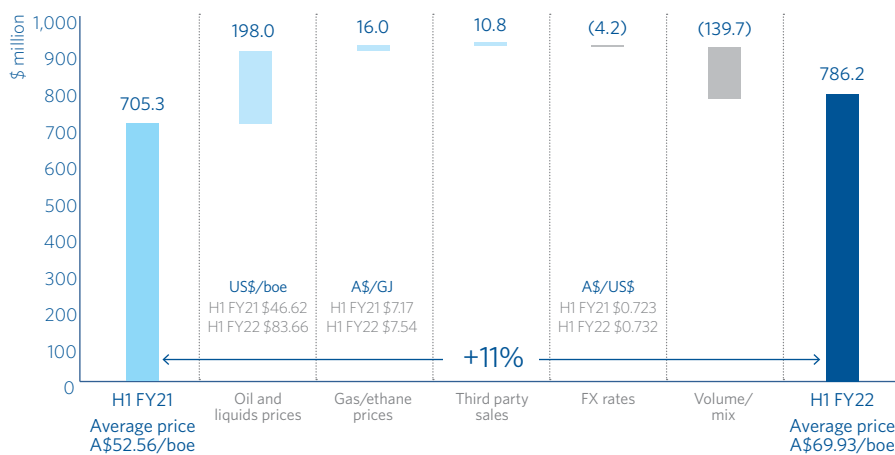
Financial review

Revenue

Sales revenue of \$786.2 million in H1 FY22 was \$80.9 million or 11% higher than H1 FY21, driven by higher realised prices and higher third-party sales, partly offset by lower production volumes and higher FX rates.

Higher US dollar oil and liquids prices were experienced in H1 FY22 resulting in an additional \$198.0 million in revenue with the average realised liquid price increasing to US\$83.66/boe, up from US\$46.62/boe in H1 FY21. Higher gas and ethane prices increased revenue by \$16.0 million with realised prices of \$7.54/GJ. Higher sales from third party product increased revenue by \$10.8 million primarily driven by higher realised oil price. These increases are partly offset by lower production volumes, primarily in the Cooper Basin, which decreased sales revenue by \$139.7 million, and unfavourable A\$/US\$ exchange rates in H1 FY22 resulted in a reduction in revenue of \$4.2 million.

Sales Revenue Comparison

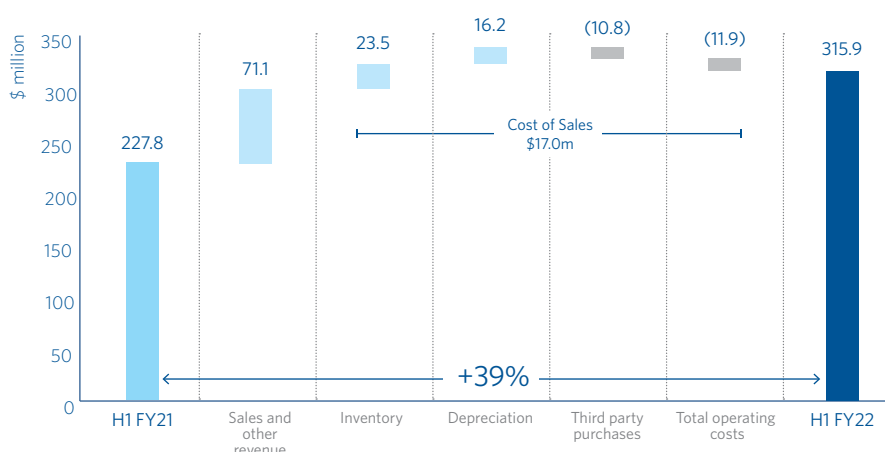


Gross Profit

Gross profit for H1 FY22 of \$315.9 million compared to H1 FY21 of \$227.8 million was up 39%, driven by higher sales and other revenue, favourable inventory movements and lower depreciation, partly offset by higher total operating costs and third party purchases.

The decrease in cost of sales, down 3% from H1 FY21 to \$481.5 million, is due principally to favourable inventory movements of \$23.5 million primarily driven by lower Cooper Basin volumes. Tariff and toll charges were \$17.9 million lower and depreciation \$16.2 million lower, both as a result of lower production volumes. This is partly offset by royalties, which were \$22.6 million higher primarily as a result of higher sales revenue, with third party purchases higher by \$10.8 million driven by higher commodity prices, and field operating costs \$7.2 million higher reflecting the additional equity interest in BassGas and Cooper Basin ex Senex permits in H1 FY22.

Gross Profit Comparison



Directors' Report

For the half year ended 31 December 2021

Financial review continued

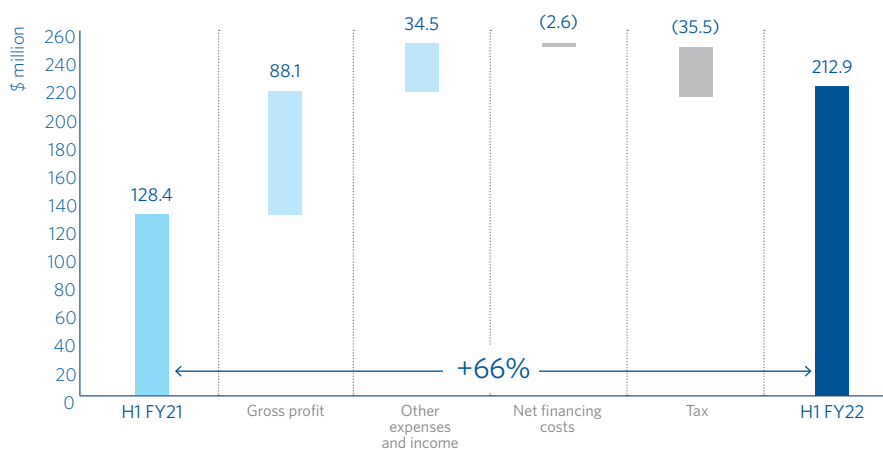
Net Profit Result

Other income of \$5.1 million, is \$6.3 million lower than H1 FY21, with lower Government grants/subsidies of \$4.5 million and lower joint venture lease recoveries of \$4.1 million partly offset by foreign exchange gains of \$1.8 million.

Other expenses of \$11.1 million were \$40.8 million lower from H1 FY21 with no exploration and evaluation expenditure expensed in H1 FY22 compared to expenditure of \$39.3 million in the prior year, no foreign exchange loss compared to \$2.1 million in the prior year and corporate costs were \$1.6 million lower, partly offset by the unwind of acquired contract assets and liabilities of \$2.2 million.

The reported net profit after income tax of \$212.9 million is \$84.5 million higher than H1 FY21, due to a higher gross profit driven by favourable commodity prices and lower other expenses with \$39 million of exploration expense recognised in the prior period, partially offset by higher income tax expense corresponding with a higher profit before tax.

Net Profit After Tax Comparison



Financial Position

Assets

Total assets increased by \$208.6 million to \$4,891.7 million during the period.

Cash balances increased by \$86.5 million to \$213.2 million, primarily due to:

- Cash inflow from operations of \$605.4 million,
- Foreign exchange impacts \$0.7 million, offset by
- Cash outflow from investing activities of \$428.3 million, and
- Cash outflow from financing activities of \$91.3 million.

Receivables decreased by \$150.4 million due to timing of Cooper Basin liftings, settlement from the successful Kupe GSA carbon liability arbitration decision, decrease in Western Flank volumes and settlement in relation to acquisitions. Inventories increased by \$8.5 million. Other current assets increased by \$33.3 million, primarily driven by prepayments made in relation to long lead equipment on major projects including the Waitsia Stage 2 project and Victoria Otway Offshore drilling campaign.

Non-current assets increased \$230.7 million due to fixed assets, petroleum and exploration assets increasing by \$238.8 million. Key drivers for the increase in fixed assets include capital expenditure of \$390.6 million, the capitalisation of lease asset depreciation of \$26.8 million and increases for restoration of \$12.8 million. This is partly offset by depreciation and amortisation of \$194.8 million and a decrease in lease assets by \$7.6 million with depreciation more than offsetting additions during the period.

Liabilities

Total liabilities increased by \$17.5 million to \$1,612.8 million, due to an increase in deferred tax liabilities of \$36.3 million, current tax liabilities of \$24.1 million and provisions of \$16.7 million primarily due to increased restoration provision due to additional wells drilled in H1 FY22 and cost updates. This was partially offset by a decrease in drawn debt of \$37.3 million, lower lease liabilities of \$16.1 million and lower contract liabilities of \$5.9 million.

Equity

Total equity increased by \$191.1 million, primarily due to net profit after tax of \$212.9 million, partly offset by dividends paid during the period of \$22.8 million.

Directors' Report

For the half year ended 31 December 2021

Financial review continued

Dividends

During H1 FY22, the Directors declared and paid a 1.0 cent per share fully franked final dividend. The Company will also pay a fully franked interim dividend of 1.0 cent per share for the current financial year.

Operations overview

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

Beach reporting segments are:

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

Production (net to Beach)

	H1 FY21		H1 FY22		Oil equivalent (MMboe)	Year-on-year change
	Oil equivalent (MMboe)	Oil (MMbbl)	Gas liquids (MMboe)	Gas (PJ)		
Western Flank	4.8	1.9	0.3	3.9	2.9	(39%)
Cooper Basin JV	4.3	0.5	0.6	15.3	3.7	(13%)
Other Cooper Basin	0.0	-	0.0	0.3	0.1	432%
SA Otway Basin	0.2	-	0.0	0.4	0.1	(66%)
South Australia	9.2	2.4	0.9	19.8	6.7	(27%)
Western Australia	0.3	-	-	3.5	0.6	141%
Vic Otway Basin	1.4	-	0.2	8.7	1.7	20%
Bass Basin	0.6	-	0.2	2.6	0.6	(4%)
Victoria	2.0	-	0.4	11.3	2.3	13%
New Zealand	1.5	-	0.4	5.9	1.4	(6%)
Total Production	13.0	2.4	1.6	40.5	11.0	(15%)

Note that H1 FY21 pro forma production was 13.7 MMboe, which includes the impact of the acquisition of Senex Energy's Cooper Basin assets and Mitsui's Bass Basin assets, with effective date 1 July 2020. Due to rounding, figures may not reconcile to totals.

Drilling

Basin	Target	Type	Wells drilled	Successful*	Rate (%)
Cooper/Eromanga Basins	Oil	Exploration	-	-	-
		Appraisal	1	1	100
		Development	10	10	100
	Gas	Exploration	8	3	38
		Appraisal	3	2	67
		Development	20	19	95
Vic Otway	Gas	Development	3	3	100
Total wells drilled			45	38	84

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

Directors' Report

For the half year ended 31 December 2021

Operations overview continued

South Australia

Western Flank Oil and Gas

Operations

Western Flank oil operations accounted for 17% of Beach's H1 FY22 production. Beach's share of Western Flank oil production was 1.9 MMbbl, a 48% decrease on H1 FY21 due to lower oil development drilling activity leading into FY22 in addition to natural field decline.

Although Western Flank oil field production is currently in decline, it is currently outperforming compared to the previously disclosed annualised decline rate of 35–45% in FY22 (i.e. higher production rates). Connections of the five development wells drilled in the second and third quarters of FY22 are expected to further reduce declines during the second half of the financial year.

Western Flank gas operations accounted for 9% of Beach's H1 FY22 production. Western Flank gas and associated liquids production of 1.0 MMboe in H1 FY22 is 10% below H1 FY21 levels due to natural field decline, maintenance down time at the Middleton facility and unplanned downtime at the Lowry well pad during Q2 FY22.

Exploration, Appraisal and Development

Beach commenced the FY22 Western Flank drilling campaign with the Kangaroo 2 oil appraisal well in ex PEL91 to appraise the Birkhead reservoir of the Kangaroo field. The well intersected the oil-bearing Birkhead reservoir and was completed as a future water injector to support oil recovery from the field.

The FY22 gas exploration drilling program commenced in ex PEL 106 with 6 wells drilled with two discoveries (Rosebay 1 and Lowry South 1). Rosebay 1 is planned to be tied-in to the Middleton gas processing facility in H2 FY22 and Lowry South 1 connection is being planned.

Oil development drilling commenced in the second quarter, with four horizontal oil development wells drilled at 100% success rate across ex PEL104 and PEL91 fields with a fifth horizontal oil well drilling ahead at the end of the half year period.

Following the completion of drilling at ex PEL 91 the rig is planned to drill up to three appraisal wells in the ex PEL 104 Martlet oil field and then anticipated to move on to drill 11 oil exploration wells throughout the Western Flank, with additional wells planned after an assessment of results.

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 100%).

Western Flank gas producing areas include ex PEL 106 (Beach 100%), ex PEL 91 (Beach 100%) and the Udacha Block - PRL 26 (Beach 100%). Other licences include PEL 630 (Beach 50% and operator, Bridgeport 50%).

Cooper Basin Joint Venture

Operations

The Cooper Basin JV operations accounted for 33% of Beach's H1 FY22 production, at 3.7 MMboe a decrease of 13% to H1 FY21.

Net gas and gas liquids production of 3.2 MMboe (sales gas of 2.6 MMboe and gas liquids of 0.6 MMboe) was down 12% on the prior half year due to planned and unplanned downtime and natural field decline within H1 FY22. Net oil production of 0.5 MMbbl was down 20% on the prior half year due to natural field decline.

Exploration, Appraisal and Development

Beach participated in 32 Cooper Basin JV wells: two gas exploration, three gas appraisal and 20 gas and seven oil development wells, at an overall success rate of 88% (wells cased and suspended or completed as future producers or water injectors).

Commercial

In H1 FY22 Beach and Santos announced Final Investment Decision (FID) for the Moomba Carbon Capture and Storage (CCS). The project has been registered with the Clean Energy Regulator entitling Beach to generate Australian Carbon Credit Units (ACCUs) for its sequestered CO₂ over a 25-year period.

The CCS project aims to sequester up to 1.7 million tonnes CO₂ per annum (gross), >0.5 million tonnes CO₂ per annum (net to Beach). This will deliver a step change in Beach's CO₂ emissions profile and supporting Beach's aspiration to reach net zero Scope 1 and 2 emissions by 2050. The project is now in the execute phase, with the operator (Santos) expecting first injection of CO₂ in 2024.

Description

Beach owns non-operated interest 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%), the Moomba CCS joint venture (Beach 33.40%) and ATP 299 (Tintaburra) (Beach 40%). Santos is the operator.

SA Otway Basin

Operations

SA Otway Basin accounted for 1% of Beach's H1 FY22 production. Net SA Otway gas production in H1 FY22 was 0.1 MMboe. Operations at the Katnook Gas Plant are planned to be suspended during H2 FY22 as gas volumes decline below the minimum turndown rate.

Exploration and Appraisal

The Dombey 3D Seismic programme commenced in December, set to cover 165 square kilometres of the PEL494 Dombey field and surrounding exploration prospects with programme completion in Q3 FY22. This newly acquired seismic aims to assess further opportunities with the possibility of re-commencing operations at the Katnook Gas Plant.

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 Dombey gas field, PEL 680 and PRL 32 (Beach 70% and operator, Cooper Energy 30%).

Directors' Report

For the half year ended 31 December 2021

Operations overview continued

Western Australia

Perth Basin

Operations

Perth Basin operations contributed 6% of Beach's H1 FY22 production. Net production was 0.6 MMboe, 141% higher than the prior corresponding half year driven by the capacity increase at the Xyris facility following successful performance testing and debottlenecking of the facility in H2 FY21, in addition to both Beharra Springs and Xyris facilities operating with minimal downtime during the current period. The prior corresponding period was impacted by shut-ins at both facilities, with production recommencing at Xyris in August 2020 following completion of the Waitsia Stage 1 expansion and Beharra Springs returning online in October 2020 following installation and commissioning of a new cyclonic separator.

Development

The Waitsia Gas Project Stage 2 development entered construction phase, with the completion of the Temporary Construction Village, commencement of offsite structural steel fabrication and bulk earthworks and piling installation on the planned Waitsia Stage 2 gas facility site. Well pad site construction also commenced in support of development drilling in the third quarter of FY22.

The development involves the construction of a new 250 TJ per day gas processing facility and associated gas gathering infrastructure and the drilling of up to six gas development wells.

Exploration and Appraisal

Beach and its joint venture participant Mitsui have commenced planning for up to five exploration and appraisal wells, pending approvals, with the first wells to be drilled following Waitsia development drilling.

Commercial

On September 27, 2021 Beach announced the signing of a Heads of Agreement (HOA) with bp for all of Beach's 3.75 million tonne share of LNG from the Waitsia Gas Project Stage 2 (refer ASX Announcement #044/21).

The HOA contains all material terms and conditions for bp to purchase Beach's expected LNG volumes and includes flexibility around the commencement of firm supply to ensure alignment with completion of construction and commissioning activities.

Beach and bp are targeting a fully termed LNG Supply and Purchase Agreement in H2 FY22. Supply will be delivered on a Free on Board (FOB) basis from the North West Shelf facilities in Karratha, Western Australia.

LNG supply is forecast to commence in H2 CY 2023.

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. The exploration permit is EP 320 (Beach 50% and operator, MEPAU 50%).

Victoria

Victorian Otway Basin

Operations

Victorian Otway Basin operations contributed 16% of Beach's H1 FY22 production. Net production was 1.7 MMboe, up 20% on the prior half year driven by higher current period customer nominations and the impact of major planned routine maintenance at Otway Gas Plant to production in the prior corresponding half year.

Exploration, Appraisal and Development

Beach completed Concept Select for Enterprise Phase 2 and is progressing FEED activities towards a Final Investment Decision in H2 FY22.

The Geographe 5 development well was drilled in Q1 FY22 followed by the Thylacine North 1 development well drilled in Q2 FY22, with both wells intersecting the target reservoirs in line with pre-drill expectations. The rig has now moved to the Thylacine West 2 well location with the final three wells of the drilling program scheduled to be completed around the end of FY22. Tie-in of the new Thylacine wells into the Otway Gas Plant is anticipated to commence in H2 FY23.

Geographe 4 and Geographe 5 wells were both completed and connected into the Otway gas plant with commissioning of the wells commenced in the latter part of H1 FY22. The commissioning activity was completed with delivery of first gas into the East coast gas market subsequent to half year end.

Description

Victorian Otway Basin (Beach 60% and operator, O.G. Energy 40%) includes producing licences VIC/L1(v) which contains Halladale, Black Watch and Speculant nearshore gas field and licences VIC/L23, T/L2 and T/L3, which contain the Geographe and Thylacine offshore gas fields. Gas from all producing fields is processed at the Otway Gas Plant. The Victorian Otway Basin also includes non-producing nearshore VIC/P42(v), including the Enterprise gas discovery and offshore licences VIC/P43, including the Artisan gas discovery, VIC/P73, including the La Bella gas field (Beach 60% and operator, O.G. Energy 40%), T/30P (Beach 100%). It also includes the nearshore exploration permit VIC/P007192(v) (Beach 60% and operator, O.G. Energy 40%).

BassGas

Operations

BassGas accounted for 5% of Beach's H1 FY22 production, with 0.6 MMboe, 4% down on the prior corresponding half year primarily due to unplanned outages at the Yolla platform, initiated by a significant weather event resulting in a turbine replacement. During the outage limited work scope from the planned H2 FY22 statutory shutdown was brought forward and safely completed at the Yolla platform and Lang Lang facility. The duration of this planned shutdown has been reduced to 23 days following the completion of the early works in November.

Exploration, Appraisal and Development

In Q2 FY22 Beach completed the acquisition of the Prion 3D seismic data across the Trefoil, White Ibis and Bass discoveries.

Directors' Report

For the half year ended 31 December 2021

Operations overview continued

The new seismic data will improve imaging of the Trefoil field and support a more informed FID of the Trefoil development, which is currently progressing through FEED activities. The seismic data will also assist to quantify the potential of the White Ibis and Bass discoveries to be produced through the Yolla infrastructure.

The Yolla 6 wireline intervention program undertaken in Q2 FY22 delivered a production improvement of ~5 TJ/d, in line with expectations. Stage 2 of the Yolla wireline campaign is planned for completion in Q3 FY22.

Description

The BassGas Project (Beach 88.75% and operator, Prize Petroleum 11.25%) produces gas from the Yolla field, situated approximately 140 kilometres off the Gippsland coast in 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 90.25% operated interest in licences T/RL2, T/RL3, T/RL4 and T/RL5, which host the Trefoil, White Ibis and Bass gas discoveries.

New Zealand

Kupe

Operations

New Zealand operations contributed 13% of Beach's H1 FY22 production. Net production for H1 FY22 was 1.4 MMboe, down 6% to H1 FY21, with production coming off plateau leading into completion of the Kupe inlet compressor installation, which came into operation at the end of Q1 FY22. Plant throughput has since returned to full capacity, with the newly installed compressor expected to support plateau production rates from the Kupe field through FY23.

In November the annual full plant critical function test was successfully completed with planning now underway for the next major plant shutdown in H1 FY23, when the Amine System four-yearly statutory integrity inspections and first year statutory inspection of the new Inlet Compressor will be completed.

Exploration, Appraisal and Development

The Kupe compression project completed commissioning at the end of Q1 FY22, with first gas introduced to the plant two weeks ahead of schedule. The newly installed compressor is expected to support plateau production rates from the Kupe field through FY23.

Beach also continued to assess the potential for a development well at Kupe East, which could be drilled from the existing Kupe platform. The well would drain the incremental 2P reserves within the eastern culmination of the field and support the further extension of plateau production. The well is currently being considered for drilling in FY23, subject to approvals and rig availability.

Description

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

Growth assets

Bonaparte Basin

Beach and its joint venture participants (Neptune 54% and operator, Santos 40.25% and Beach 5.75%) continued interpretation of the Petrelex 3D seismic survey over the Petrel gas field. Neptune is progressing the final resource estimate and the development concept, which are expected in H2 FY22. Beach and its joint venture participant Santos (Santos 50% and operator, Beach 50%) are also planning for acquisition of new 3D data in exploration permit WA-454-P, which lies south of the Petrel field.

In December, Beach submitted a withdrawal notice to the Joint Venture for the two Petrel retention licences (WA-6-R, NT/RL1), effective 11 April 2022.

Great South Basin

During FY21, Beach and its joint venture participants were granted the right to surrender PEP 50119 (Tawhaki). Planning is currently underway for a regulatory compliance post-drill marine benthic marine survey which is planned for Q3 FY22.

FY22 Full Year Outlook

During the second half of FY22, Beach remain focused on delivery of the growth strategy.

Optimise our operated and non-operated producing assets:

- Commence Western Flank Oil exploration campaign
- Complete Yolla Stage 2 wireline campaign

Strengthen our complementary gas businesses:

- Safely deliver final three wells of Victorian offshore Otway development program
- Progress Waitsia Stage 2 Development with operator Mitsui

Pursue other compatible growth opportunities:

- Progress approvals for connecting Enterprise 1 to the Otway Gas Plant
- Continue assessment of potential Kupe East Development well
- Progress Trefoil Front-End Engineering Design activities
- Complete Dombey 3D Seismic acquisition campaign in SA Otway

Delivering on emission reduction aspirations:

- Focus on delivering 25 by 25 emissions reduction target
- Progress the Moomba Carbon Capture and Storage project

Maintain financial strength:

- Disciplined capital management

Our People and culture:

- Continued focus on enabling and engaging our employees and contractors

Directors' Report

For the half year ended 31 December 2021

Directors

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

Glenn Stuart Davis

Independent Non-Executive Chairman
LLB, BEc, FAICD

Colin David Beckett AO

Independent Non-Executive Deputy Chairman
FIEA, MICE, GAICD

Philip James Bainbridge

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

Margaret Hall (appointed 10 November 2021)

Non-Executive Director
B Eng (Met) (Hons), GAICD, MIEAust, SPE

Robert (Rob) Jager ONZM (appointed 14 December 2021)

Independent Non-Executive Director
BE Mechanical Engineering (Hons), MBA (distinction), MAICD, CMInstD, FENZ

Matthew Vincent Kay (resigned 2 November 2021)

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

Sally-Anne Layman

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

Peter Stanley Moore

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

Joycelyn Cheryl Morton (retired 10 November 2021)

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

Richard Joseph Richards

Non-Executive Director
BComs/Law (Hons), LL.M, MAppFin, CA, Admitted Solicitor

Ryan Kerry Stokes AO (retired as a director on 10 November 2021 and appointed as an alternate director for M Hall on 2 December 2021)

Alternate Non-Executive Director
BComm, FAIM

Rounding off of amounts

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

Events occurring after the balance date

There has not been in the period since 31 December 2021 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, Ernst & Young, to provide the directors of Beach with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is made on page 12 and forms part of this Directors' Report.

Dated at Adelaide this 14th day of February 2022 and signed in accordance with a resolution of the directors.



G S Davis
Chairman

Auditor's Independence Declaration



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Auditor's independence declaration to the directors of Beach Energy Limited

As lead auditor for the review of the half-year financial report of Beach Energy Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'AJ', written in a cursive style.

Anthony Jones
Partner
14 February 2022

Half Year Financial Report

Of Beach Energy Limited and controlled entities
For the six months ended 31 December 2021



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021

	Note	CONSOLIDATED	
		Dec 2021 \$million	Dec 2020 \$million
Revenue	2(a)	797.4	726.3
Cost of sales	3(a)	(481.5)	(498.5)
Gross profit		315.9	227.8
Other income	2(b)	5.1	11.4
Other expenses	3(b)	(11.1)	(51.9)
Operating profit before net financing costs		309.9	187.3
Interest income	11	0.2	0.1
Finance expenses	11	(7.6)	(4.9)
Profit before income tax expense		302.5	182.5
Income tax expense	4	(89.6)	(54.1)
Net profit after income tax expense		212.9	128.4
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Net gain/(loss) on translation of foreign operations		(0.3)	(0.7)
Other comprehensive income/(loss) net of tax		(0.3)	(0.7)
Total comprehensive income after tax		212.6	127.7
Basic earnings per share (cents per share)	5	9.34	5.63
Diluted earnings per share (cents per share)	5	9.33	5.62

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

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	CONSOLIDATED	
		Dec 2021 \$million	June 2021 \$million
Current assets			
Cash and cash equivalents		213.2	126.7
Receivables		204.6	355.0
Inventories		107.9	99.4
Current tax assets		3.7	3.9
Contract assets		16.4	16.2
Other		106.9	73.6
Total current assets		652.7	674.8
Non-current assets			
Property, plant and equipment	6	7.1	8.6
Petroleum assets	7	3,622.3	3,431.6
Exploration and evaluation assets	8	384.4	334.8
Intangible assets		75.7	77.1
Contract assets		33.9	38.8
Lease assets	9	64.6	72.2
Other		51.0	45.2
Total non-current assets		4,239.0	4,008.3
Total assets		4,891.7	4,683.1
Current liabilities			
Payables		263.6	263.2
Provisions		61.0	42.9
Current tax liabilities		31.9	7.8
Contract liabilities		8.1	12.0
Lease liabilities	9	61.3	77.0
Total current liabilities		425.9	402.9
Non-current liabilities			
Payables		3.8	4.5
Provisions		938.1	939.5
Interest bearing liabilities	11	136.8	174.1
Deferred tax liabilities		80.7	44.4
Contract liabilities		1.9	3.9
Lease liabilities	9	25.6	26.0
Total non-current liabilities		1,186.9	1,192.4
Total liabilities		1,612.8	1,595.3
Net assets		3,278.9	3,087.8
Equity			
Contributed equity	13	1,862.1	1,859.5
Reserves		842.7	867.1
Retained earnings		574.1	361.2
Total equity		3,278.9	3,087.8

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2021

Note	Contributed equity \$million	Retained earnings \$million	Share based payment reserve \$million	Foreign currency translation reserve \$million	Profit distribution reserve \$million	Total \$million
For the half year ended 31 December 2021						
Balance as at 1 July 2021	1,859.5	361.2	36.5	(5.0)	835.6	3,087.8
Profit for the period	-	212.9	-	-	-	212.9
Other comprehensive income/(loss)	-	-	-	(0.3)	-	(0.3)
Total comprehensive income/(loss) for the period	-	212.9	-	(0.3)	-	212.6
Transactions with owners in their capacity as owners:						
Shares issued during the period	13	0.5	-	-	-	0.5
Shares purchased on market, net of tax (Treasury shares)	13	(0.3)	-	-	-	(0.3)
Utilisation of Treasury shares for employee and executive incentive plans	13	2.4	-	-	-	2.4
Final dividend paid from profit distribution reserve	14	-	-	-	(22.8)	(22.8)
Decrease in share-based payments reserve	-	-	(1.3)	-	-	(1.3)
Transactions with owners	2.6	-	(1.3)	-	(22.8)	(21.5)
Balance as at 31 December 2021	1,862.1	574.1	35.2	(5.3)	812.8	3,278.9
For the half year ended 31 December 2020						
Balance as at 1 July 2020	1,861.2	46.7	36.0	(5.3)	881.2	2,819.8
Profit for the period	-	128.4	-	-	-	128.4
Other comprehensive income/(loss)	-	-	-	(0.7)	-	(0.7)
Total comprehensive income/(loss) for the period	-	128.4	-	(0.7)	-	127.7
Transactions with owners in their capacity as owners:						
Shares issued during the period	0.2	-	-	-	-	0.2
Shares purchased on market (Treasury shares)	(3.5)	-	-	-	-	(3.5)
Final dividend paid from profit distribution reserve	14	-	-	-	(22.8)	(22.8)
Increase in share-based payments reserve	-	-	1.7	-	-	1.7
Transactions with owners	(3.3)	-	1.7	-	(22.8)	(24.4)
Balance as at 31 December 2020	1,857.9	175.1	37.7	(6.0)	858.4	2,923.1

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2021

	CONSOLIDATED	
	Dec 2021 \$million	Dec 2020 \$million
Cash flows from operating activities		
Receipts from customers and other	964.3	793.7
Payments to suppliers and employees	(357.4)	(362.7)
Receipt on settlement of arbitration	42.2	-
Payments for restoration	(7.5)	(4.2)
Interest received	0.2	0.1
Financing costs	(7.2)	(3.1)
Income tax paid	(29.2)	(128.0)
Net cash provided by operating activities	605.4	295.8
Cash flows from investing activities		
Payments for property, plant and equipment	-	(1.5)
Payments for petroleum assets	(397.7)	(275.4)
Payments for exploration and evaluation assets	(44.2)	(67.9)
Completion adjustment on acquisition of joint interests	13.6	-
Net cash used by investing activities	(428.3)	(344.8)
Cash flows from financing activities		
Proceeds from employee incentive loans	0.5	0.2
Payment for shares purchased on market (Treasury shares)	(0.5)	(3.5)
Proceeds from borrowings	80.0	150.0
Repayment of borrowings	(115.0)	(50.0)
Payment of lease liabilities	(33.5)	(19.1)
Dividends paid	(22.8)	(22.8)
Net cash provided/(used) by financing activities	(91.3)	54.8
Net increase in cash held	85.8	5.8
Cash at the beginning of the half year	126.7	109.9
Effect of exchange rate changes on the balances of cash held in foreign currencies	0.7	(1.8)
Cash at the end of the half year	213.2	113.9

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

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

Basis of preparation of Half Year Financial Report

Beach Energy Limited (**Beach** or the **Company**) is a for profit company limited by shares, incorporated in Australia and whose shares are publicly listed on the Australian Securities Exchange (ASX). The Half Year Financial Report of the Company for the six months ended 31 December 2021 comprises the Company and its controlled entities (together referred to as the **Group**). The Half Year financial report was authorised for issue in accordance with a resolution of the Directors on 14 February 2022.

The 2021 Annual Report is available upon request from the Company's registered office at Level 8, 80 Flinders Street, Adelaide, 5000 South Australia or at www.beachenergy.com.au.

The Half Year Financial Report for the six months ended 31 December 2021 is a general purpose report prepared in accordance with Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. It is intended to provide users with an update on the latest annual financial statements of the Group and as such they do not include full disclosures of the type normally included in the annual report. It is recommended that they be read in conjunction with the 2021 Annual Report and any public announcements made by Beach during the half year reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules. The functional and presentation currency for the Company is Australia dollars.

The Half Year Financial Report for the six months ended 31 December 2021 has been prepared in accordance with the accounting policies adopted in the 2021 Annual Report and have been consistently applied by the entities in the Group except for those that have arisen as a result of new standards, amendments to standards and interpretations effective from 1 July 2021. The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year. These have not had a significant or immediate impact on the Group's Half Year Financial Report.

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.

Change in accounting policy

IFRIC agenda decision - Configuration or Customisation Costs in a Cloud Computing Arrangement

As disclosed in the 2021 Annual Report, in April 2021 the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement. The Group has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The change in policy has been retrospectively applied and comparative financial information has been restated, as follows:

Impact on previous reporting periods

	Prior period restatements 31 December 2020 \$million
Net impact on equity	(0.3)
Impact on statement of profit or loss - increase/(decrease) in profit	
Other expenses	(0.4)
Income tax expense	0.1
Net profit after tax	(0.3)

Critical accounting estimates & judgements

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

In preparing this Half Year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2021.

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

RESULTS FOR THE HALF 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, taxation and earnings per share.

Note 1 Segment information

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

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

Details of the performance of each of these operating segments for the six month period ended 31 December 2021 and 31 December 2020 are set out below.

	SA		WA		Victoria		New Zealand		Total	
	31 Dec 2021 \$million	31 Dec 2020 \$million	31 Dec 2021 \$million	31 Dec 2020 \$million	31 Dec 2021 \$million	31 Dec 2020 \$million	31 Dec 2021 \$million	31 Dec 2020 \$million	31 Dec 2021 \$million	31 Dec 2020 \$million
Segment revenue										
Sales revenue	559.5	543.4	15.2	5.3	126.7	89.3	84.8	67.3	786.2	705.3
Segment results										
Gross segment result before depreciation and amortisation	346.6	312.0	9.4	1.5	85.7	60.0	59.9	46.4	501.6	419.9
Depreciation and amortisation	(125.3)	(137.6)	(7.1)	(4.1)	(49.5)	(54.1)	(15.0)	(17.3)	(196.9)	(213.1)
	221.3	174.4	2.3	(2.6)	36.2	5.9	44.9	29.1	304.7	206.8
Other revenue									11.2	21.0
Other income									5.1	11.4
Net financing costs									(7.4)	(4.8)
Other expenses									(11.1)	(51.9)
Profit before tax									302.5	182.5
Income tax expense									(89.6)	(54.1)
Net profit after tax									212.9	128.4

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

Note 1 Segment information (continued)

Details of the assets and liabilities of each of these operating segments for the period ended 31 December 2021 and 30 June 2021 are set out below.

	SA		WA		Victoria		New Zealand		Total	
	31 Dec 2021 \$million	30 Jun 2021 \$million	31 Dec 2021 \$million	30 Jun 2021 \$million	31 Dec 2021 \$million	30 Jun 2021 \$million	31 Dec 2021 \$million	30 Jun 2021 \$million	31 Dec 2021 \$million	30 Jun 2021 \$million
Segment assets	2,441.5	2,529.3	501.6	438.4	1,384.9	1,224.9	238.5	291.7	4,566.5	4,484.3
Total corporate and unallocated assets									325.2	198.8
Total consolidated assets									4,891.7	4,683.1
Segment liabilities	573.7	565.2	16.6	18.9	485.7	506.4	109.7	110.7	1,185.7	1,201.2
Total corporate and unallocated liabilities									427.1	394.1
Total consolidated liabilities									1,612.8	1,595.3

Note 2 Revenue and other income

	Dec 2021 \$million	Dec 2020 \$million
(a) Revenue		
Crude oil	283.2	300.7
Sales gas and ethane	310.7	293.3
Liquefied petroleum gas	89.9	55.2
Condensate	95.4	59.4
Gas and gas liquids	496.0	407.9
Revenue from contracts with customers	779.2	708.6
Crude oil – revaluation of provisionally priced sales	7.0	(3.3)
Sales revenue⁽ⁱ⁾	786.2	705.3
Other operating revenue	11.2	21.0
Total revenue	797.4	726.3
(b) Other income		
Other income related to joint venture lease recoveries	2.4	6.5
Gain on reversal of acquired liabilities	0.5	-
Government grants	0.4	4.9
Foreign exchange gains	1.8	-
Total other income	5.1	11.4

(i) Provisionally priced oil sales revenue recorded as a receivable at Dec 2021 \$73.2 million (Dec 2020 \$90.0 million).

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

Note 3 Expenses

	CONSOLIDATED	
	Dec 2021 \$million	Dec 2020 \$million
(a) Cost of sales		
Field operating costs	126.5	119.3
Tariffs and tolls	50.1	68.0
Royalties	76.2	53.6
Total operating costs	252.8	240.9
Depreciation and amortisation of petroleum assets	193.3	203.5
Depreciation of leased assets	3.6	9.6
Third party oil and gas purchases	41.0	30.2
Change in inventories	(9.2)	14.3
Total cost of sales	481.5	498.5
(b) Other expenses		
Exploration expense	-	39.3
Depreciation of leased assets	1.8	1.8
Corporate expenses ⁽ⁱ⁾	7.1	8.7
Unwind of acquired contract assets and liabilities	2.2	-
Foreign exchange losses	-	2.1
Total other expenses	11.1	51.9

(i) Includes depreciation of property, plant & equipment and amortisation of software costs of \$4.6 million (Dec 2020: \$3.9 million).

Note 4 Income tax

	CONSOLIDATED	
	Dec 2021 \$million	Dec 2020 \$million
(a) Reconciliation of income tax expense calculated on operating profit to income tax charged in the statement of profit or loss		
Accounting profit before tax	302.5	182.5
Prima facie tax on accounting profit before tax at 30%	90.7	54.8
Adjustment to income tax expense due to:		
Non-deductible expenditure	0.5	0.5
Impact of tax rates applicable outside Australia	(1.6)	(1.2)
Income tax expense	89.6	54.1

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

Note 5 Earnings per share

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

	Dec 2021 \$million	Dec 2020 \$million
Basic earnings per share	212.9	128.4
Diluted earnings per share	212.9	128.4

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

	Dec 2021 Number	Dec 2020 Number
Basic earnings per share	2,279,502,818	2,280,482,927
Share rights	1,357,298	5,576,587
Diluted earnings per share	2,280,860,116	2,286,059,514

(c) Calculation of earnings per share is as follows:

	Dec 2021 Number	Dec 2020 Number
Basic earnings per share (cents per share)	9.34	5.63
Diluted earnings per share (cents per share)	9.33	5.62

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

CAPITAL EMPLOYED

This section details the investments made by the Group in exploring for and developing its petroleum business including property plant and equipment, petroleum assets, exploration and evaluation assets, leases and details of future commitments.

Note 6 Property, plant and equipment

	CONSOLIDATED	
	Dec 2021 \$million	Jun 2021 \$million
Cost	16.4	16.4
Less: Accumulated depreciation and impairment	(9.3)	(7.8)
Balance at end of period	7.1	8.6
Balance at beginning of period	8.6	9.6
Additions	-	0.7
Depreciation expense	(1.5)	(1.7)
Balance at end of period	7.1	8.6

Note 7 Petroleum assets

	CONSOLIDATED	
	Dec 2021 \$million	Jun 2021 \$million
Cost	7,129.5	6,742.3
Less: Accumulated depreciation and impairment	(3,507.2)	(3,310.7)
Balance at end of period	3,622.3	3,431.6
Balance at beginning of period	3,431.6	2,986.5
Additions	341.8	516.2
Acquisition of assets and joint operation interest	1.7	117.9
Depreciation and amortisation expense	(193.3)	(405.6)
Increase in restoration	12.8	53.3
Transfer from exploration and evaluation assets	-	180.8
Impairment of petroleum assets	-	(35.3)
Disposals	-	(1.7)
Borrowing costs capitalised	3.3	7.1
Capitalised depreciation of lease assets	23.7	14.6
Foreign exchange movement	0.7	(2.2)
Balance at end of period	3,622.3	3,431.6

Impairment of Petroleum Assets

The carrying amounts of petroleum assets are assessed half yearly on a cash generating unit (CGU) basis to determine whether there is an indication of impairment or impairment reversal for those assets which have previously been impaired. No indicators of impairment or impairment reversal were identified in the period. The key estimates and judgements used have not materially changed from those that applied to the financial report as at and for the year ended 30 June 2021.

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

Note 8 Exploration and evaluation assets

	CONSOLIDATED	
	Dec 2021 \$million	Jun 2021 \$million
Balance at beginning of period	334.8	462.4
Additions	48.8	126.5
Increase in restoration	-	4.2
Acquisition of subsidiaries and joint operation interests	(2.3)	48.8
Transfer to petroleum assets	-	(180.8)
Exploration and evaluation expenditure expensed	-	(56.7)
Impairment of exploration and evaluation expenditure	-	(81.7)
Disposal of joint operation interests	-	(0.4)
Foreign exchange movement	-	(0.2)
Capitalised depreciation of lease assets	3.1	12.7
Balance at end of period	384.4	334.8

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 area of interest (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. No indicators of impairment were identified in the period. The key estimates and judgements used have not materially changed from those that applied to the financial report as at and for the year ended 30 June 2021.

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

Note 9 Leases

	Dec 2021 \$million	Jun 2021 \$million
Lease Assets		
Opening Balance	72.2	58.7
Additions	24.1	70.2
Lease remeasurement	0.5	(13.3)
Depreciation expense ⁽ⁱ⁾	(32.2)	(43.4)
Balance at end of period	64.6	72.2
Lease Liabilities		
Opening Balance	103.0	62.1
Additions	24.1	103.7
Repayments ^{(ii) (iii)}	(48.7)	(53.8)
Lease remeasurement	5.6	(13.3)
Accretion of interest	0.8	2.0
Foreign exchange movements	2.1	2.3
Balance at end of period	86.9	103.0
Current	61.3	77.0
Non-current	25.6	26.0

(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 in the half year is \$26.8m (June 21 \$27.3m).

(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 \$2.4m of other income relating to joint venture recoveries.

(iii) Instances where the payments regarding a lease contract are part of sublease arrangement and the Group is the responsible party for payment, the Group recognises the full lease liability, and recognises a sublease receivable for the portion of payment that is recovered through other parties within the sublease arrangement. The Group received \$14.4m of sublease repayments from other parties and has a sublease receivable of \$16.2m at 31 December 2021.

Note 10 Commitments

There has been no material change to total capital and minimum exploration commitments since 30 June 2021.

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

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.

Note 11 Finances and borrowings

On 27 September 2021, Beach refinanced the existing \$525 million Senior Secured Debt Facility, with a \$675 million Senior Secured Debt Facility comprised of a three year \$250 million syndicated revolving debt facility maturing September 2024 (Facility A), a five year \$350 million syndicated revolving facility maturing September 2026 (Facility B), and three year \$75 million bilateral Contingent Instrument facilities (CI Facilities) with a maturity date of September 2024. As at 31 December 2021 \$140 million of Facility A was drawn with \$68 million of the CI Facilities being utilised by way of bank guarantees.

	CONSOLIDATED	
	Dec 2021 \$million	Jun 2021 \$million
Bank debt	140.0	175.0
Less debt issuance costs	(3.2)	(0.9)
Total non-current borrowings	136.8	174.1

	CONSOLIDATED	
	Dec 2021 \$million	Dec 2020 \$million
Net financing expenses		
Finance costs	2.3	3.2
Interest expense	1.1	0.9
Discount unwinding on net present value assets and liabilities	6.7	3.3
Finance costs associated with lease liabilities	0.8	0.9
Less borrowing costs capitalised	(3.3)	(3.4)
Total finance expenses	7.6	4.9
Interest income	(0.2)	(0.1)
Net financing expenses	7.4	4.8

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

Note 12 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 carrying value of the group's financial assets and financial liabilities which also approximates their fair values are set out below.

Carrying amount	Note	FINANCIAL ASSETS/ FINANCIAL LIABILITIES AT AMORTISED COST	
		Dec 2021 \$million	Jun 2021 \$million
Financial assets			
Cash		213.2	126.7
Receivables		204.6	355.0
Lease assets	9	64.6	72.2
Other		157.9	118.8
		640.3	672.7
Financial liabilities			
Payables		267.4	267.7
Lease liabilities	9	86.9	103.0
Interest bearing liabilities	11	140.0	175.0
		494.3	545.7

Fair Values

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

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

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2021 and there have been no transfers between the levels of the fair value hierarchy during the half year to 31 December 2021.

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.

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

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 and dividends.

Note 13 Contributed equity

	CONSOLIDATED	
	Dec 2021 \$million	Jun 2021 \$million
(a) Movement in share capital		
Balance at beginning of period	1,859.5	1,861.2
Repayment of employee loans and sale of employee shares	0.5	0.2
Shares purchased on market (Treasury shares), net of tax	(0.3)	(4.0)
Utilisation of Treasury shares on vesting of shares and rights under employee and executive incentive plans	2.4	2.1
Balance at end of period	1,862.1	1,859.5

Treasury shares

Treasury shares are purchased for use on vesting for the executive incentive plan and the employee share scheme. Shares are accounted for at the weighted cost for the period.

	Dec 2021 Number	Jun 2021 Number
(b) Movement in Treasury shares		
Balance at beginning of period	2,974,400	520,325
Shares purchased on market during the period	405,831	3,523,725
Utilisation of Treasury shares on vesting of shares under employee or executive incentive plan	(1,679,586)	(1,069,650)
Balance at end of period	1,700,645	2,974,400
(c) Movement in fully paid ordinary shares		
Balance at beginning of period	2,281,333,656	2,280,808,177
Shares issued on vesting/exercise of unlisted incentive rights	-	525,479
Balance at end of period	2,281,333,656	2,281,333,656
(d) Movement in unlisted Incentive Rights		
Balance at beginning of period	8,184,339	7,437,135
Issued during the period	2,605,818	3,757,017
Forfeited during the period	(2,656,025)	(1,414,684)
Vested/exercised during the period	(1,600,907)	(1,595,129)
Balance at end of period	6,533,225	8,184,339

Employee Rights

During the period, Beach issued 2,112,784 Long Term Incentive unlisted rights under the Executive Incentive plan. These rights, which expire on 30 November 2026, are exercisable for nil consideration and are not exercisable before 1 December 2024 and are subject to performance testing in November 2024. Further details of the Executive Incentive Plan are detailed in the 2021 Annual Report.

Note 14 Dividends

	CONSOLIDATED	
	Dec 2021 \$million	Dec 2020 \$million
Final fully franked dividend of 1.0 cent per fully paid ordinary share paid on 30 September 2021	22.8	-
Final fully franked dividend of 1.0 cent per fully paid ordinary share paid on 30 September 2020	-	22.8
	22.8	22.8

Subsequent to the end of the period, the Company resolved to also pay a fully franked dividend of 1.0 cent per share for the interim period.

Notes to the Half Year Consolidated Financial Statements

For the half year ended 31 December 2021

OTHER INFORMATION

Additional information required to be disclosed under Australian Accounting Standards.

Note 15 Contingent liabilities

Two competing shareholder class actions have been filed against Beach in November 2021 over the same subject matter, one is in the Victorian Supreme Court and one in the Federal Court (NSW). The choice of jurisdiction should not have a material bearing on the outcome of these claims.

At this stage, it is not possible to determine what financial impact, if any, these claims may have on Beach's financial position. In respect of the substance of the claims, Beach considers that it has at all times complied with its disclosure obligations, denies any liability and will vigorously defend the proceedings.

Other than matters described above, there has been no material change to the contingent liabilities since 30 June 2021.

Note 16 Events occurring after the balance date

There has not been in the period since 31 December 2021 and up to the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

The Directors of the Company declare that:

1. The half year financial report and notes set out on pages 14 to 29, are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
 - (b) complying with Accounting Standard *AASB 134 Interim Financial Reporting*, and the *Corporations Regulations 2001*.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 14th day of February 2022.

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

A handwritten signature in black ink, appearing to read 'G. S. Davis', with a horizontal line underneath the name.

G S Davis

Chairman

Independent Auditor's Review Report



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

Conclusion

We have reviewed the accompanying half-year financial report of Beach Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2021, the condensed statement of profit and loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a *statement* and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independent Auditor's Review Report



Page 2

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Anthony Jones'.

Anthony Jones
Partner
Adelaide
14 February 2022

Glossary

\$	Australian dollars
BassGas	The BassGas Project (currently Beach 53.75% and operator, MEPAU 35%, Prize Petroleum International 11.25%), produces gas from the offshore Yolla gas field in the Bass Basin in production licence T/L1. Beach also holds a 50.25% operated interest in licenses T/RL2, T/RL4 and T/RL5. On 31 July 2021 Beach completed its acquisition of MEPAU's 35% participating interest in T/L1 and 40% participating interest in T/RL2, T/RL4 and T/RL5. Following the approval and registration of this acquisition by the relevant government authorities, Beach will hold a 88.75% interest in the BassGas Project and a 90.25% interest in T/RL2, T/RL4 and T/RL5.
bbl	Barrels
Beach	Beach Energy Limited and its subsidiaries
Beharra Springs	Beharra Springs (Beach 50% and operator, Mitsui 50%) produces gas from the onshore Beharra Springs gas field in the Perth Basin in production licences L11 and L22
boe	Barrels of oil equivalent – the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy
C&S	Cased and suspended
CCS	Carbon capture and storage
Cooper Energy	Cooper Energy Ltd and its subsidiaries
Cooper Basin	Includes both Cooper and Eromanga basins
Cooper Basin JV	The Santos operated, SACB JVs and SWQ JVs and ATP 299 (Tintaburra) (Beach 40%, Santos 60% and operator)
DD&A	Depreciation, depletion and amortisation
EP	Exploration Permit
Ex PEL 91	PRLs 151 to 172 and various production licences. Beach 100%
Ex PEL 92	PRLs 85 to 104 and various production licences. Beach 75% and operator, Cooper Energy 25%
Ex PEL 104/111	PRLs 136 to 150 and various production licences. Beach 100%
Ex PEL 106	PRLs 129 and 130 and various production licences. Beach 100%
EBITDA	Earnings before interest tax depreciation and amortisation
FEED	Front-End Engineering Design
FID	Final investment decision
FY(22)	Financial year (2022)
Genesis	Genesis Energy Limited and its subsidiaries
GSA	Gas sales agreement
GJ	Gigajoule
H(2) (FY22)	(Second) half year period of (FY22)
H(2) (CY23)	(Second) half of calendar year (2023)
HOA	Heads of Agreement
JV	Joint Venture
kbbl	Thousand barrels of oil
kboe	Thousand barrels of oil equivalent
Kbopd	Thousand barrels of oil per day
kt	Thousand tonnes
Kupe	Kupe Gas Project (Beach 50% and operator, Genesis 46%, NZOG 4%) produces gas from the offshore Kupe gas field in the Taranaki Basin in licence PML38146
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
MEPAU	Mitsui E&P Australia
Mitsui	Mitsui & Co., Ltd and its subsidiaries

Glossary

MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalent
MMscfd	Million standard cubic feet of gas per day
MTPA	Million metric tonnes per annum
NZOG	New Zealand Oil & Gas and its subsidiaries
O.G. Energy	O.G. Energy Holdings Limited, a member of the Ofer Global group of companies
Origin	Origin Energy Limited and its subsidiaries
Other Cooper Basin	Other Cooper Basin producing permit areas are ex PEL 513/632 (Beach 40%, Santos 60% and operator) and PRL 135 (Vanessa) (Beach 100% and operator)
P&A	Plugged and abandoned
PEL	Petroleum Exploration Licence
Perth Basin	Includes Beach's assets Waitsia and Beharra Springs
PRL	Petroleum Retention Licence
Prize	Prize Petroleum International
PJ	Petajoule
Qtr	Quarter
RL	Retention Licence
SACB JV	South Australian Cooper Basin Joint Ventures, which include the Fixed Factor Area (Beach 33.4%, Santos 66.6%) and the Patchawarra East Block (Beach 27.68%, Santos 72.32%)
Santos	Santos Limited and its subsidiaries
Senex	Senex Energy Limited and its subsidiaries
SWQ JV	South West Queensland Joint Ventures, incorporating various equity interests (Beach 30-52.2%)
TJ	Terajoule
Victorian Otway Basin	Produces gas from licences VIC/L1(v) and VIC/P42(v) which contain the Halladale, Black Watch and Speculant near shore gas fields and licences VIC/L23, T/L2 and T/L3 which contain the Geographe and Thylacine offshore gas fields. Beach also holds non-producing offshore licenses
Waitsia	Waitsia Gas Project (Beach 50%, MEPAU 50% and operator) produces gas from the onshore Waitsia gas field in the Perth Basin in licence L1/L2
Western Flank Gas	Comprises gas production from ex PEL 91 and 106. Both Beach 100%
Western Flank Oil	Comprises oil production from ex PEL 91 (Beach 100%), ex PEL 92 (Beach 75% and operator, Cooper Energy 25%) and ex PEL 104/111 (Beach 100%)