



14 August 2008

Dear Shareholder,

The 1 for 10 bonus option issue described in the accompanying documents is the final part of Beach's recapitalisation following its Egyptian and Tanzanian acquisitions, announced in May 2008. The bonus options that have been allocated to shareholders, pursuant to the conditions in the prospectus released on 21 July 2008 and enclosed, are intended as a reward for your loyalty and support.

The first two parts of the recapitalisation were; the share placement to institutional investors at A\$1.43 per share, which raised \$191 million, and the Share Purchase Plan (SPP) offered to Australian, New Zealand and Hong Kong shareholders at the same price. The institutional placement closed on 6 June 2008 and was over subscribed many times over. At the time, A\$1.43 represented a discount of 4.21% to the weighted average market price for Beach shares over the previous 15 trading days. Directors wished to make a similar offer in terms of the discounted price to retail shareholders under the terms of the SPP. This offering, to all eligible shareholders to acquire shares at A\$1.43, closed on 18 July 2008.

Management are very positive that our recent acquisitions have the potential to improve the value of your investment in Beach. The following is a description of these new major projects.

Egyptian Assets

Over the past eighteen months, Beach's exploration team has evaluated 160 projects both in Australia and worldwide, searching for the best value investment opportunities. Beach is fortunate to have a team with significant global experience and contacts to identify and evaluate such opportunities.

Three Egyptian concessions were noted for acquisition in May 2008, with an indication that Beach is pursuing further opportunities in the region. These comprise a 20% interest in North Shadwan to be acquired from Tri-Ocean Energy, a 20% interest in South East July acquired from Santos Limited and a 25% interest in North Qarun also to be acquired from Santos Limited (unfortunately this acquisition was unsuccessful due to pre-emption by a Joint Venture partner). North Shadwan and South East July are located in the Gulf of Suez in North East Egypt.

Beach's technical, commercial and legal teams have carried out extensive technical, fiscal and legal review in respect of all these assets. Beach's senior management has also met with the relevant Minister in Egypt. From our perspective, these Egyptian investment opportunities fit very comfortably within Beach's prudent risk-reward profile and offer production in the short term from existing undeveloped oil fields, as well as potentially high impact oil exploration opportunities, at least one of which is scheduled for drilling within the next six months. With Egypt's long history of petroleum production, infrastructure is well established and accessing markets is expected to be straightforward, while development costs are expected to be relatively low.

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The North Shadwan concession is of particular immediate importance. It contains three as yet undeveloped oil field discoveries. Two are near-shore and shallow, each having 8 million barrels of proved and probable (2P) oil reserves and both have been appraised and costed for development via onshore or island drilling. The larger, and most recent discovery, the Burtocal field, has identified 24 million barrels of 2P oil reserves within the deeper Nubia Sandstone in a field lying to the west within the Gulf. This was discovered by BP and TriOcean in January this year. This discovery has vindicated our assessment of the block's potential. All pre-emptive rights have now been waived, clearing the way for Beach to seek formal approval from the Egyptian authorities to enter the joint venture and participate in the imminent development, which is expected to start with the spudding of an appraisal well on the Burtocal field, designed to appraise the potential for significantly increased reserves.

Typical production flow rates from the Nubia Sandstone are exemplified by BP's 2003 Saqqara 80 million barrel field, located to the north of North Shadwan. Saqqara reportedly came on stream in May 2008 at 30,000 bopd.

The July South-1 field within the South East July concession is on a similar structure to the west of Saqqara and the giant (1.5 billion barrel) Morgan field, also operated by BP, and will be drilled later this year.

Tanzanian Assets

Although we have a strong belief in Australia, for Beach to capture high impact opportunities which are materially significant, we need to think globally. Our approach has been to build drilling and development opportunities on a disciplined and properly risked portfolio basis, taking into account the forward program over the next two years as well as taking a ground floor position in emerging regions such as the East Africa Rift zone, where our recently announced exclusive right to negotiate for a concession in Tanzania is located. This area, which has been visited by our geological team, has clear evidence of petroleum seeps, while to the north, in Uganda, Heritage and Tullow have been making significant oil discoveries.

Australian Assets

I do want to emphasise that we remain focused on Beach's Australian assets, as demonstrated by continued Cooper oil exploration, Surat coal seam gas reserve upgrades and the move to a new Floating Production Storage Offloading (FPSO) facility for BMG, plus some high impact exploration wells later this year in the Bass and offshore Otway Basins.

The Board is focused on building Beach's future earnings from its Australian assets and its new overseas acquisitions and on making large new discoveries from Beach's very much expanded exploration drilling schedule.

You will see this surge in activity establish itself over the next year, as we move to develop the North Shadwan fields, embark on a major new development and exploration phase in the BMG project, increase oil production from the Cooper-Eromanga, achieve greater value from our extensive coal seam gas interests and drill three potentially high impact wells offshore from Victoria and Tasmania.

Yours sincerely



Bob Kennedy
Chairman

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