



22 January 2010

Dear Shareholder

**Notice of General Meeting of Shareholders – 11.00am on 22 February 2010**

The Board of Directors have called a General Meeting of the shareholders of Essential Petroleum Resources Limited (EPR or the Company) to vote on a number of resolutions arising from a negotiated agreement with Beach Energy Limited (Beach) and Mitsui E&P Australia Pty Ltd (Mitsui). As you may be aware, EPR was not able to raise the capital necessary to fund its share of drilling the offshore Otway Basin well Fermat-1 in VIC/P46, and incurred a total debt to its VIC/P46 Joint Venture partners, Beach and Mitsui, of approximately \$21 million. The agreement reached with Beach and Mitsui will discharge this debt, subject to certain conditions and will restructure the Company.

A number of factors have led to this situation. Escalating costs of oil field services since 2005 have raised offshore seismic acquisition and drilling costs four fold, diminishing the value of EPR's farmouts of VIC/P46 to Mitsui and Beach. In addition to this, the global financial crisis has quelled investor enthusiasm and risk taking in greenfield environments. The global financial crisis has also enhanced the oil and gas industry's aversion to wild cat exploration risk, leaving EPR unable to secure further farmout of interests in VIC/P46 prior to drilling the Fermat well. This resulted in EPR having a financial exposure much greater than it had ever planned.

The Board of Directors have pursued all reasonable avenues for a capital raising and restructure. We believe that the agreement with Beach and Mitsui provides a good outcome for EPR and is recommended to shareholders for their approval.

The implementation of the agreement with Beach and Mitsui will realise the following outcomes:

1. EPR's debt of approximately \$14,000,000 to Beach will be discharged in return for 50% of onshore permit PEP 168 and 51% equity in EPR.
2. Interim funds loaned to EPR by Beach to cover EPR's current operations will be discharged for equity in EPR at a rate of 2.0332 cents per share.
3. The existing Directors of the Board of EPR will resign and Beach will nominate nominee Directors to the Board at the next Annual General Meeting for approval by shareholders. The AGM will be held as soon as possible after this General Meeting.
4. Mitsui will forgive EPR's debt of approximately \$7,000,000 owed to Mitsui in return for a payment of approximately \$698,000 from a subsequent capital raising.
5. EPR's indebtedness to its other creditors is to be settled on terms consistent with those negotiated with Beach and Mitsui. This will include the issue of equity to Directors in lieu of outstanding remuneration and entitlements for the period prior to 8 September 2009. No directors fees, other than salary of the Managing Director, are to be paid to existing non-executive directors subsequent to 8 September 2009.

In support of the acceptance of the negotiated agreement with Beach, we have sought an independent assessment and evaluation of the Company's assets and liabilities. We note that the independent expert has concluded that the agreement is both fair and reasonable.

We also advise that in the absence of an alternative agreement, EPR's Board and its major shareholder, Dr Peter Woodford, believe that the implementation of this agreement will not only provide the mechanism for repaying EPR's debt to its VIC/P46 joint venture partners, but will also allow the Company to recommence trading and make a new start. This may not otherwise have been achievable.

A handwritten signature in black ink, appearing to read 'John Cornelius', is written over a light grey background.

**John Cornelius**  
Chairman