



ESSENTIAL PETROLEUM RESOURCES LIMITED
ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS
9 OCTOBER 2003

I would like to open my remarks today by thanking our executive team and my fellow directors, John Remfry and Roger Blake for their excellent contribution in the past year. Also, non-executive director, Garrick Higgins, for his incisive input and counsel. We have a great team with Alfonso Grillo, our Company Secretary, and staff and consultants.

We have made substantial progress towards the objectives set for Essential Petroleum from the very outset.

I would also like to thank Wallace Westman (Wally) for his contribution as one of the founders of Essential Petroleum. Wally resigned during the year as Executive General Manager, Drilling Operations, but retains a role as a consulting drilling engineer.

The role of the smaller explorer, like Essential Petroleum, is to be visionary, to evolve concepts, to think outside the box, to be flexible, to be daring to the extent of being first in, but above all, to be focused. History shows that it is the smaller dynamic focused explorer that makes the initial oil and gas discovery.

Essential Petroleum is about focus – focus on the Otway Basin, focus on the objectives that attracted our IPO funding, about added value and yes, patience, for the business of petroleum exploration does also require patience - but it also takes vision and initiative to grasp opportunity to be first in, to secure a key footprint and to add value for shareholders. Having achieved that footprint we must then keep up inventory of quality exploration prospects being developed and brought forward for drilling.

To retain this focus and bring about success, we need to maintain adequate cash resources and take opportunities when they present to raise those resources while maximising value for every dollar spent.

I have pleasure in announcing that yesterday we took such an opportunity to replenish our resources by expanding our capital base by just under 15%, ensuring the program we will outline is firmly based and funded for maximum returns for all shareholders.

The focus of Essential Petroleum has attracted strong, long term shareholders. Conservative, patient investors whose presence in the share register provides stability. Part of the opportunity taken this week was to further strengthen that cornerstone investor group.

In discussing fund raising, I would like to acknowledge and reassure those who took up their December 2002 options. That part of our IPO funding was importantly focused on our initial onshore exploration commitments, commitments that we have fulfilled, but it also allowed the very successful expansion into the highly prospective Otway offshore sector, which I am confident will lead to exploration success.

In the absence of a sustained cash flow, as a Board, we must have under constant consideration the balance of the funding tools available to Essential Petroleum. Farming out of an interest in a 100% held permit generates a value - a value to shareholders by the farminee expending exploration funds on our behalf, so that we will have exploration, seismic and drilling activity, carried out in our permits with little or no financial contribution. Of course, the other key is to retain as large an interest in the permit as is possible to provide a significant return from discovery.

Farmouts, however, do not usually generate cash – they do generate self-funded activity. We must rely on raising cash resources through selling equity. Equity generated cash should be used to generate prospects within our permits that will attract further exploration activity through farmout while minimising dilution of shareholder equity.

The past year has seen successes and disappointment. Whilst the results of Koroit West No. 1 and Banganna No. 1 were disappointing, as they failed to intersect commercial hydrocarbons, results from the wells still suggest that valid petroleum systems exist within the PEP152 permit.

We did make a discovery at Port Fairy No. 1. Although this discovery has not provided a commercial flow, it has vindicated our modelling of the generation of hydrocarbon (light oil) further west in the Waare formation than previously detected. Further consideration of this area is also warranted.

At inception we targeted strategic onshore acreage and succeeded in acquisition, we also had objectives offshore and we have fulfilled our commitment by being awarded the targeted offshore blocks.

Essential Petroleum in 2003 has moved into a transition phase, perhaps it could be said our verasion, for just as that term describes the pivotal period when grapes transform themselves on the vine from hard green acidic to luscious fruit, a time of promise, we entered a phase of applying highly sophisticated geo-scientific techniques to permit areas and prospects that we had identified, we had modelled, applied for and been granted, and indeed in the case of PEP 151 we broke down considerable barriers to entry.

By reaching agreement with the Gunditjmarra native title claimants and then satisfying the concerns of all stakeholders to successfully record a highly innovative combined 3D seismic survey, including recording in a National Park within the PEP 151 permit, we have taken promise to reality.

Along with the 106 square kilometre Nelson onshore seismic survey in PEP151, our offshore seismic survey in VIC P46, recorded in cooperation with SANTOS, some 750km of seismic line in November 2002.

It is the results of these seismic surveys and the very extensive processing, interpretation and analysis that follows that we are now starting to see.

The transition, therefore, to test by drilling Essential Petroleum's defined prospects, is now gaining momentum.

In VIC P46, while risked potential reserve analysis of identified prospects is currently being undertaken, analysis of hydrocarbon shows in the Normanby well, drilled within our permit area in 1986, suggests the structure may contain oil as well as gas. Mapping so far concludes that these are very large areas of structural closure that could yield possible gas reserves of the order of 1 TCF, at both the Normanby, and the larger Kepler/Bernoulli prospects, if the structures are full of gas.

The Descartes turbidite prospect to the south, within VIC P46, the analogy with the Brazil Oligocene turbidites, suggests the dominant hydrocarbon to be oil and the very large area of closure suggests reserves could be in the billion barrel range if the prospect contains oil.

It is the results of these studies and those being undertaken following the PEP 151 Nelson survey and the potential of the prospects generated that will form the basis for the farmout packages for these permits. These farmout packages will allow us to negotiate farmouts wherein Essential

Petroleum will be carried at no cost for further detailed exploration activity, most likely 3D seismic, to determine exact drill targets and then drilling. Farmouts, in turn, places a value on our permits, a value that can be related to increase in all shareholder wealth through our share price.

It is essential that we maintain the same level of effort in prospect delineation and evaluation to ensure that further farmouts and exploration activity are generated.

Work on our second offshore block, VIC P50 and the onshore Portland Trough area, PEP 150, will ensure that our overall level of exploration activity, including drilling, continues.

We note that the next round of drilling activity in the Otways is about to get under way with some 5 offshore and 6 onshore wells scheduled in the next 2 years.

Essential Petroleum expects to be involved in at least 1 offshore and 3 onshore wells in this next round.

Our belief in the Otways is considerably strengthened by the major commitments of SANTOS - who have announced at least 3 wells immediately east of VIC P46 and P50, and by further appraisal wells by BHP Billiton, Woodside, Origin, SANTOS and others at Minerva, Thylacine and Casino. This peer confirmation is more than comforting when you look at the strategic footprint we have onshore and offshore and the leverage that Essential

Petroleum's shares provide investors to participate in Otways exploration by our fully focused, undiluted Otway Basin strategy.

The message I want to leave with you today is that the grapes are looking luscious, the transition to drilling prospects identified by Essential Petroleum is with us. We are fulfilling the key role of the smaller explorer to be innovative, flexible and focused, to hold value added positioning, and will achieve drilling activity through value added farmout.

We remain focused.

We are in very good shape technically and look forward to exciting and rewarding years ahead.

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