

MARKET UPDATE

4 August 2005

Henry-1 Results Good News for Essential Petroleum Resources

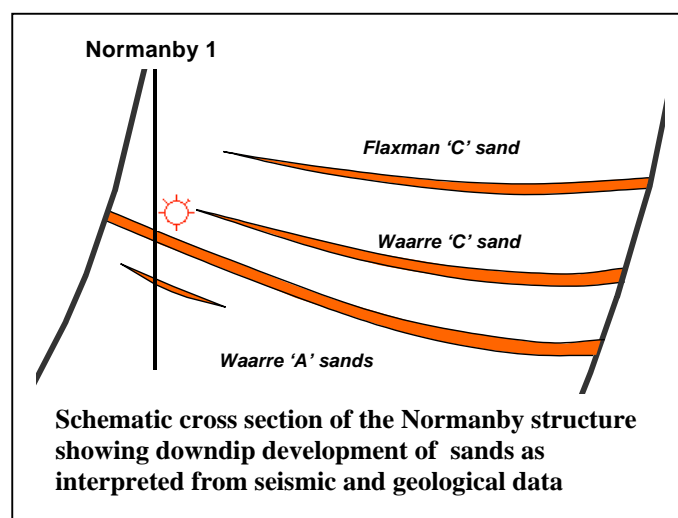
The geological background to the Henry-1 gas discovery released by Australian Worldwide Exploration (AWE) and reported by *The Age* (2 August, 2005) provides substantial encouragement for similar exploration plays developed by Essential Petroleum Resources Limited (Essential Petroleum) in the central Otway Basin in VIC/P46.

It was reported that “The well was purposely drilled down-dip from the crest of the Henry structure” and that Henry-1 encountered good quality sands in the Waarre Formation and had a pre-drill resource estimate of more than 100 petajoules of recoverable gas. The discovery at Henry-1 means there are now three gas fields on the flanks of the Pecten High. In addition to Casino, Martha, and now Henry, AWE reports other prospects have been delineated for future drilling. Essential Petroleum has prospects in the central part of the Otway Basin in a similar geological setting in VIC/P46.

The crest of the Pecten High structure was drilled at Pecten-1 (1967). This well tested sub-commercial gas and water from a poor quality sand in the Waarre Formation. Gas shows while drilling, and the porosity and permeability of the reservoir, were poor in comparison with those of more recent wells drilled downdip on the flanks of the structure.

Work by Essential Petroleum Resources in the Voluta Trough in VIC/P46 has focused on the Normanby structure. Normanby-1, near the crest, was drilled in 1986 and abandoned untested but with good shows of gas and a recovery of gas and water from wireline sampling. While the presence of hydrocarbon has been interpreted from log analysis, lack of testing at the time of drilling prevents conclusive interpretation. Essential Petroleum believes that reservoir quality is likely to improve downdip, as shown to be the case in Casino, and that the recovery of gas at Normanby-1 is as significant for the down-dip hydrocarbon potential of the structure as it is for the implication that gas exists updip from the well.

On the northern flank of the Normanby structure, seismic data acquired by Essential Petroleum indicates the presence of strata similar in age and seismic character to the high quality upper Waarre Formation sandstones identified in Casino and other fields. Geological and seismic evidence supports the view that this strata contains sandstones distributed from the Argonaut delta in the west of the basin which are not represented in or tested by the Normanby-1 well.





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Essential Petroleum understands that recent wells targetting the Waarre Formation on or near the crests of structures in the offshore central Otway Basin have been unsuccessful due to the absence of quality reservoir sandstones. As the presence of good quality sandstones is critical in determining the chance of drilling success, knowing the distribution of reservoir quality sand during the deposition of the Waarre Formation is a key to selecting a drilling location. Henry-1 and the Casino wells have shown that the Waarre sands are better developed in positions that flank the structural highs. Essential Petroleum believes that this applies to its large prospects in VIC/P46.

The results of Henry-1 support the concept behind Essential Petroleum's prospects in VIC/P46. We therefore believe the Waarre Formation sands, flanking the large structures in VIC/P46 have an excellent chance of containing commercial hydrocarbons in good quality reservoirs.

John Remfry
Managing Director

For more information, contact:

John Remfry
Managing Director
Essential Petroleum Resources Limited

Tel: (03) 9699 3009
Fax: (03) 96993110
E-mail: info@epri.com.au