



**Essential
Petroleum
Resources
Limited**

ASX ANNOUNCEMENT

25 May 2007

Essential Petroleum Wins Bid for PEP 168 in the Otway Basin

Essential Petroleum Resources Limited (ASX: EPR) has accepted the offer of a major new onshore exploration permit, PEP 168, in the Port Campbell gas province in the Otway Basin.

EPR (operator) with a 50% equity share and its joint venture partner, Inland Oil Resources Pty Ltd (IOR) 50%, intend to drill the first of several proposed wells as early as the third quarter of 2007.

At least two wells will be drilled in the first three year term of the permit with one more well required in the last two years of the five year life of the permit.

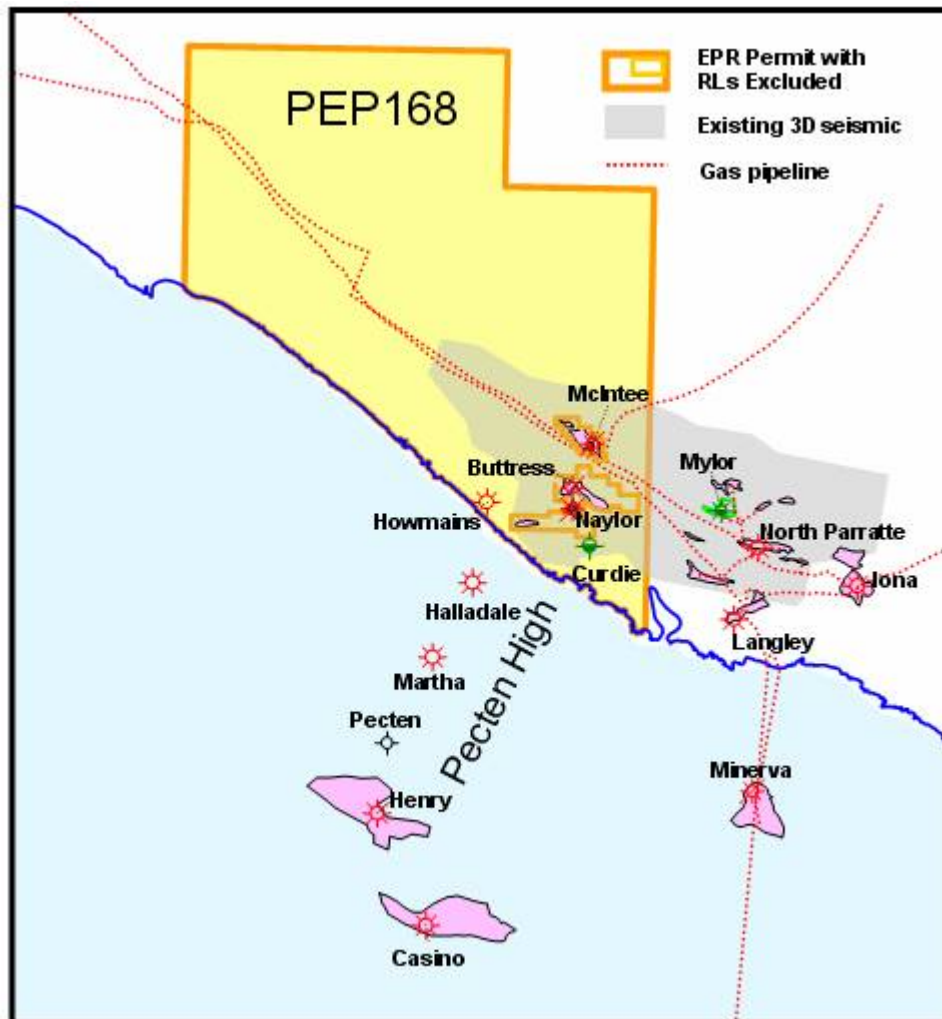
PEP168 is a highly prospective permit covering the onshore part of the Pecten High trend which hosts in excess of 400 bcf reported gas reserves in Waarre reservoir sands in the offshore Casino, Henry, Martha and Halladale fields.

PEP 168 surrounds and adjoins onshore gas fields which have produced more than 100 bcf of gas from highly productive Waarre reservoir sands. Gas fields in the Port Campbell Embayment region include the McIntee, Naylor, North Paaratte and Iona fields.

This is the first time the permit has been offered by the Victorian Government since the initial discoveries were made in the early 1990's.

Essential Petroleum Managing Director, John Remfry said, "Essential Petroleum has long been aware of the undiscovered potential of the area and has waited patiently for the opportunity to bid on this block."

Mr Remfry said, "The permit has an extensive, modern 3D seismic data coverage obviating the need for any more seismic acquisition prior to drilling. EPR has identified from seismic, several untested prospects exhibiting the same direct hydrocarbon indicators (DHI's) as many of the nearby producing fields. This substantially increases our chances of making an early discovery in this highly prized permit."



EPR Strategy for PEP 168

Essential Petroleum has identified numerous prospects and leads within the permit and intends to start its drilling program as early as possible in the second half of this year subject to necessary approvals and drilling rig availability.

A commercial discovery in any one of the identified prospects will enhance the potential of the Waarre play within the permit. The excellent infrastructure and access to markets for any western Victorian gas discovery enhances the project's chance of commercial viability, rapid development and early reward.

Otway Basin Activity

Essential Petroleum has extensive interests in other highly prospective parts of the Otway Basin.

EPR has recognized that the Discovery Bay High (DBH) in the central part of the basin is potentially as significant on the area's prospectivity as the Pecten High in the eastern part of the basin. The DBH plays host to several large Waarre prospects which have the combined potential to hold in excess of 2 tcf of gas.



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EPR has significant exposure to the unexplored Discovery Bay High region through its offshore permits VIC/P46 and VIC/P50 and the onshore PEP 151 and PEP 150 permits.

A 3D seismic survey in VIC/P46 has started over the promising Bernoulli and Kepler prospects and a drilling rig has been contracted to drill the highest ranked prospect in the third quarter of 2008.

John Remfry
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