

ESSENTIAL PETROLEUM RESOURCES LIMITED



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Essential Petroleum Resources completed its first month as a publicly listed company last Friday (9 March) with the announcement of highly positive news – the award of an offshore exploration permit in the Otway Basin.

The win capped a busy first month for the company, which included the release of an independent valuation of Essential Petroleum Resource's exploration acreage and an important gas discovery by Santos and Beach Petroleum in the Otway Basin.

Offshore Permit Win

The new permit (V00-1) covers an area of 1853 square kilometres, extending about 40 kilometres offshore immediately south of our highly prospective, onshore permit area PEP 151.

We secured the permit after submitting a strong exploration proposal in a competitive bidding process.

The permit win is very positive for Essential Petroleum. It allows us to explore an offshore petroleum system that we have identified and mapped from exploration in the area in previous decades. Using our new geological models and vastly improved technology, we will further develop targets within the petroleum system, which has the potential to host large accumulations of oil and gas.

Exploration expenditure in the permit over the next three years has already been budgeted because we anticipated the development of offshore exploration interests in our recent prospectus.

We will consider farming out interests in the permit after exploration has further developed its prospectivity.

Valuation Boost

During the month we received the results of an independent valuation of our onshore exploration acreage by Anderson & Schwab Australia Ltd, a firm well recognised for its technical expertise in resource valuations.

Anderson & Schwab has placed a realistic market value on our onshore Otway Basin exploration assets of \$13.5 million. The word "realistic" in this case means the value that an informed and knowledgeable company should be prepared to pay to fully acquire Essential Petroleum's equity in each onshore Otway basin permit. The significance of this valuation is that when it is added to the \$7.5 million raised from our recent IPO, and assuming a full take up of the options, the implied value of Essential Petroleum's shares is \$0.27 per share.

The win of an offshore permit subsequent to the valuation adds further value to the company.

The Anderson & Schwab report can be viewed in executive summary form or in its entirety on our website.

New Gas Discoveries

Since the listing of Essential Petroleum, Santos and Beach Petroleum have made a commercial gas discovery in the Otway Basin at McIntee 1 in PEP 154, immediately east of our permit PEP 152 and south of our permit PEP 159. Santos has also discovered gas with its well Tregony-1 in PEP 153, just east of PEP154 and South of PEP 159.

The discoveries have boosted the profile of the Otway Basin and added to a resurgence of exploration interest in the region. The Otway Basin is now receiving greater attention from a number of other explorers such as Santos and Origin Energy.


This development can only help Essential Petroleum, which has prime exploration acreage across the Otway Basin.

Our knowledge and our portfolio of exploration assets in the area is second-to-none, thanks to the close attention paid to the Otway Basin over a number of decades by our exploration director, Roger Blake.

Coinciding with the renewed interest in the area, we have published on our website a brief history of oil and gas exploration in the Otway Basin, stretching back to Australia's first oil exploration well in 1866.

The next well to be drilled by Santos and Beach Petroleum (also in PEP 154) is Croft 1. I recommend you follow the progress of this well. You will find links on the Essential Petroleum web page to help you.

The drill rig used by Santos and Beach Petroleum is scheduled to drill Essential Petroleum's first exploration well, McNamara Park 1, located 15 km west of Mt Gambier. This well will be drilled some time between mid April and mid May, depending on the time it takes the rig to drill the preceding wells.

The next -news update will be distributed in a few weeks. If you have any questions about Essential Petroleum in the mean time, please contact Mr John Remfry via e-mail address info@epri.com.au or calling (03) 9699 3009. Your comments and feedback are also welcomed.

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