

ESSENTIAL PETROLEUM RESOURCES LIMITED



No. 6

7 January 2003

Essential Petroleum Resources commences 2003 in great financial shape with a number of exciting exploration opportunities.

In recent weeks we have completed a capital raising of over \$4.6 million through the conversion of 1 December, 2002 options. The options issue was strongly supported by option holders and the underwriter to the issue, Intersuisse Corporate Pty Ltd.

I would like to welcome all those investors who have become shareholders as a result of the options conversion.

New shares issued as a result of the options conversion have lifted the total number of shares on issue from 68 million to 91.3 million. Our market capitalisation (at the most recent closing share price of 26 cents a share on 6 January 2003) has also increased, up from about \$13 million to \$23.75 million.

Funds raised through the options conversion has boosted our cash reserves to almost \$7 million. This will be used to fund a spread of exploration activity in the onshore and offshore Otway Basin.

Onshore Exploration

The exploration program for 2003 commences in PEP 152 with the spudding of Koroit West No. 1, now expected to be 10 January. The slight delay in schedule is due to an unplanned rig maintenance requirement.

The well is a follow up to our Port Fairy No. 1 oil and gas discovery, about 10 kilometres to the south. Essential Petroleum has a 33.9% interest in the well, which we are drilling as agent for the operator of the permit (Origin Energy, with a 50.51% interest).

Koroit West No. 1 is a relatively shallow well with a target depth of only 800 metres. Therefore it is anticipated that it should be a quick and inexpensive well.

The second well in the current program, Banganna No. 1, will then spud some time in the second half of January. This is earlier than previously advised due to a fortunate change in drill rig availability.

Banganna No. 1, in PEP 159, will test the Pretty Hill petroleum system. We are equal joint partners in the permit with Origin Energy.

Daily updates of drilling progress of both wells will be posted on Essential Petroleum's website to keep you informed.

The high level of activity will continue in February when a specialised rig will complete a workover of the **Port Fairy No. 1** well to devise a production testing strategy. Depending on the outcome of production testing, a further well may be drilled on the Port Fairy structure.

Offshore Exploration

I am also pleased to report that our 740-kilometre offshore seismic survey was successfully completed on 2 December 2002.

The survey was conducted to delineate and refine oil and gas prospects that have already been identified in our offshore permit area VIC/P46 from reprocessing of old seismic data.

The survey has incorporated new technologies and techniques, including amplitude versus offset analysis, which will provide valuable additional information about the presence of hydrocarbons in the structures we have identified.

The seismic data is currently being processed and will be ready for interpretation in February.

Essential Petroleum was granted VIC/P46 early in 2001 and is farming out up to 32.5% to Mittwell Energy Resources Pty Ltd, an Australian subsidiary of Mitsui Corporation of Japan.

Other Activities

2003 will be the busiest year so far in our exploration program and apart from the activities already outlined, the following will have a significant impact on our company:

- We will continue to hold negotiations with a number of other potential farm in partners for VIC/P46 and our adjacent 100% held permit, VIC/P50.
- We have made an application to the State Government of Victoria to conduct a seismic survey in our 100% held onshore permit PEP 151. If approved this could lead to the drilling of an exploration well in the permit area later in the year.
- We will be conducting a 1000km 2D seismic survey in VIC/P50 in the whale free window around October/November subject to the availability of a suitable seismic vessel.


I, therefore, look forward to bringing you more updates in -News in 2003.

On behalf of the Directors and the management team, I would like to wish you and your family a happy a prosperous New Year.

Yours sincerely



John Remfry
Managing Director

The next -news update will be distributed in the near future. 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 by calling (03) 9699 3009. You may wish to visit our website at www.essentialpetroleum.com.au. Your comments and feedback are welcomed.

DISCLAIMER

Essential Petroleum makes no warranty as to the completeness of the information. Any opinion expressed in this document is based on the assumptions and limitations mentioned herein and is an expression of present opinion only. Essential Petroleum makes no warranty as to the timelines of the information contained in this newsletter and will not be responsible for any loss or damage (direct or indirect, consequential or otherwise) resulting in the use of information provided by this newsletter.

The information in this newsletter is based on publicly available information. Information contained in this email is not intended to contain investment or other advice to any individual party or person(s). This email is provided for information only and should not be construed as a disclosure document or in support of any capital raising activities.

Potential investors should not rely on the information contained herein prior to making any investment decision. Investors should seek independent advice from a properly qualified advisor, giving due regard to their own personal circumstances prior to forming any investment decision.

To the extent permitted by law, Essential Petroleum does not represent, warrant and/or guarantee that the integrity of this communication has been maintained nor that the communication is free of errors, virus, interception or interference.