

ESSENTIAL PETROLEUM RESOURCES LIMITED



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Our recent annual general meeting was an opportunity to review our achievements and prospects for the future.

Presentations to shareholders at the AGM by the Chairman and the management team are now available on the website, and I encourage you to take a look if you haven't already done so.

In this edition of E-News I would like to cover some of the main points that I covered at the meeting.

The title of my presentation was "the best is yet to come", which is a good description of where we are today.

- We have an excellent position in the Otway Basin - a portfolio of acreage that is envied by many of the oil and gas companies that have entered the region since we targeted it for acquisition in the late 1990s.
- We have completed two major seismic surveys in the past nine months – offshore in VIC/P46 (held 67.5% by Essential Petroleum) and onshore in PEP 151 (held 100% by Essential Petroleum). Data processing and analysis of these surveys is encouraging and will add substantial value to our permits, placing us in an excellent position to farm out interests in them for a premium.
- We have excellent prospects for discovering both oil and gas, with exposure to four, separate petroleum systems in the onshore and offshore Otway Basin.
- Exploration activity in the Otway Basin is set to increase in the next one to two years. Five or six wells are due to be drilled onshore in this period, with Essential Petroleum participating in as many as three. Offshore, we expect five or six wells to be drilled in the near future, with Essential Petroleum involved in at least one.

Our drilling program will become clearer once we have concluded our analysis of the seismic data in many of our permit areas, particularly our offshore permits VIC/P46 and VIC/P50 and the onshore permit PEP 151.

We are getting closer to testing some of the exploration models upon which Essential Petroleum was founded. We are, therefore, about to enter an exciting stage of the journey which has taken much hard work and persistence.

Funding

The objective of the farm-out campaign, particularly offshore, will be to find partners who can support Essential Petroleum's share of exploration costs. Ideally, these partners will also bring technical or commodity marketing to a joint venture to explore the permit areas operated by Essential Petroleum.

We have already farmed out a 32.5% interest in VIC/P46 to Mittwell Energy Resources, an Australian subsidiary of the Mitsui Corporation of Japan. This is a good example of the type of additional partners we will soon be seeking to jointly explore our permit areas.

Farm-out agreements are all about achieving the best balance between maintaining the largest possible interest in our permits and off-setting some of the exploration risk by bringing in new partners to share in the exploration cost.

Essential Petroleum is in a strong position to negotiate farm-out agreements because:

- we hold either a 100% or majority interests in most of our permit areas, which means we can farm-out and still retain a significant interest;
- we have added substantial value to our most important permit areas through major seismic surveys and geological and geophysical studies in the past 12 months;
- recent discoveries mean exploration activity and interest in the Otway Basin has never been higher, and a number of major companies are looking for opportunities to obtain or increase their exposure; and
- a \$1.8 million placement last week to a spread of investors means we are well funded and can take the time to complete our technical evaluations and negotiate the best arrangements on behalf of shareholders.

I would like to recommend that you look at the presentation made by our Director, Exploration and Development, Roger Blake, on the potential for oil and gas accumulations in turbidites in our offshore permits.

Roger said that every oil and gas explorer needed “blue sky” in addition to its regular portfolio of prospects, and Essential Petroleum has turbidite-style prospects at Descartes and Henty. These prospects, which are closely analogous to giant oil fields off the coast of Brazil, have potential to host oil accumulations in excess of 1 billion barrels.


The potential for these kinds of discoveries as well as our conventional exploration portfolio is why I talk about Essential Petroleum entering the most exciting phase of the journey so far.

I will keep you informed with editions of E-News over the next 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.

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