



**CHAIRMAN'S ADDRESS**  
**2005 ANNUAL GENERAL MEETING**  
**ESSENTIAL PETROLEUM RESOURCES LIMITED**

Ladies and Gentlemen

Welcome to the 2005 Annual General Meeting of Essential Petroleum Resources Limited.

The pace of our onshore exploration program and the pursuit of commercially tangible success, that is, commercial oil and gas discovery, has been slower than any of us would wish. This is a tough business where considerable progress and success often goes without share price recognition.

However, we are now preparing to drill our first exploration well in onshore Otway Basin permit PEP 151, with Pritchard 1 scheduled for February 2006 (subject to rig availability). This is a milestone that represents the first test of the exploration objectives on which the Company was founded.

Frankly, whilst the time it has taken to get into this position to drill in PEP 151 has been frustrating, reaching a ready-to-drill stage in this notoriously inaccessible part of Victoria has been a tremendous achievement.

To get to this position, Essential Petroleum was the first oil and gas explorer in Victoria to negotiate a Native Title Exploration Agreement, the first to obtain access to a national park for exploration surveys, and the first to negotiate a Native Title Production Agreement signed finally only last month.

The extent of our achievements in PEP 151 becomes very clear when compared with exploration activity in neighbouring permit PEP 150. PEP 150 was awarded to Origin Energy at the same time we were granted PEP 151. However, PEP 150 has not even reached the stage of Native Title Exploration Agreement. It is three years behind our permit in terms of its readiness to drill.



I mention this only to highlight the effort that management team has put into getting your Company to the position of opportunity we are in today.

Yes, we chose a difficult road to travel. Progress can be slow as a junior, pioneering explorer in the Otway Basin.

But the fact that we have stuck doggedly to our objectives, and the fact that we have maintained our faith in our original goals, is now beginning to bear fruit.

This is evident in a number of ways.

First, we have an enviable spread of contiguous acreage in the heart of the Otway Basin – including exclusive coverage of the oil-prone Portland Trough. This is a highly sought after play in a world of high oil prices, and is due to our early recognition of the prospectivity of the region for oil and gas.

Second, we have developed a very attractive portfolio of prospects in PEP 151, based on our detailed understanding of the petroleum systems of the Portland Trough.

Third, we are finally ready to drill in PEP 151. Our first well, Pritchard 1 will be the first well anywhere near the Portland Trough in almost 20 years, and the first well ever within the structural confines of the Trough.

And fourth, we are well placed to farm-out interests in a range of onshore and offshore permits to partners who will substantially carry our costs of seismic surveys and exploration drilling.

Our permits are attracting strong interest from potential farm-in partners thanks to the excellent technical work we have already completed, and the attractiveness of the multiple oil and gas exploration plays in many of our permits.

To underscore this point, I am pleased to announce today two important developments.

In respect of PEP 151, we are pleased to have entered into an agreement with Bass Strait Oil Company whereby it will earn a 25% interest in the permit by contributing to the drilling of our first exploration well. We are also pleased to advise that we are currently in discussions with other potential farminees. These farm-in partners will carry a significant portion of Essential Petroleum's share of exploration costs over the next phase of exploration. Essential Petroleum expects to retain a 50% interest in PEP 151 and therefore considerable exposure to the exciting potential of this key onshore permit.

The endorsement of experienced petroleum professionals of our technical game plan of pre-drilling appraisal is satisfying, financial commitment to participate, of course, is even more necessary.

Furthermore, I am pleased to advise that a number of study initiatives, including a joint palynological study review of the Normanby-1 well in VIC/P46 with Santos, have been undertaken to establish the age and provenance of the reservoir units within the Waarre Formation in the central part of the Otway Basin. As a result, the studies have improved our understanding of the paleo-environments controlling the deposition of the Waarre Formation in VIC/P46 and PEP151. This has high graded the prospects that will be targeted by our exploration drilling.

My final comment on activities for the past year relates to the recently completed exploration well Cowrie 1 in PEL 27.

Essential Petroleum earned a 20% interest in PEL 27 by participating in the drilling of Cowrie 1. We are in well-respected company in this permit, with Beach Petroleum holding 30% and operator, and Origin Energy holding the balance of 50%.

The joint venture partners believed Cowrie 1 was a low risk well with a high chance of becoming the Otway Basin's first commercial oil discovery. But there are no certainties in exploration, and we were disappointed earlier this month to complete the well without finding hydrocarbons. Leakage along a fault is the most likely cause of the absence of hydrocarbons.

The joint venture partners in PEL 27 are now turning their attention to a previous oil discovery, Killanoola 1 which was drilled in 1997 in PEL 27. Killanoola 1 discovered a waxy crude oil that flowed to the surface unaided at about 300 barrels per day. This flow rate declined to 25 barrels a day and production efforts were abandoned as uneconomic.

The joint venture partners are now examining the possibility of reopening the well – which was cased and suspended and remains in operating condition. New technologies are now available that could improve the flow rate to economic levels. Of course, today's high oil prices also mean the hurdle for achieving an economic return are much lower than in 1997. We will keep shareholders informed of developments.

Turning now to the outlook for Essential Petroleum, shareholders have much to look forward to in the next year.

The drilling of Pritchard 1 will be a key event. Pritchard 1 is a fault-independent closure that is created by four-way stratigraphic dip. This means it does not have the risk factor of leakage along faults that plagues many exploration wells in the Otway Basin.

If Pritchard 1 is successful in finding oil, it will have an enormous bearing on the prospectivity of the Portland Trough and will present many follow-up targets. This could lead to the rapid development of the Portland Trough as a new onshore oil province.

If Pritchard 1 is unsuccessful, it will not affect the prospectivity of the Portland Trough as a potential gas producer. The Trough extends offshore to our permit VIC/P46, where our gas exploration efforts will continue.

We will also continue our onshore exploration efforts in PEP 151, regardless of the outcome of Pritchard 1.

After the completion of the well, we plan to conduct a new 3D seismic survey in PEP 151. This survey will be used to optimise the locations of our next explorations wells in the permit.

The coming year will also see some milestones in the exploration of our offshore permits.



We expect to complete the farm-out of VIC/P46 in the coming months, as I referred to earlier in my address today. Having already completed a modern grid of seismic in this permit, we expect to drill our first offshore exploration well at the end of calendar 2006.

There is also a possibility of back-to-back wells in VIC/P50 and VIC/P46, depending on the progress of farm-out negotiations in our deepwater offshore permit. Interpretation of seismic data from our survey of VIC/P50 last year has been highly encouraging and provides us with confidence to plan a further survey in this permit in the near term.

There is certainly an increasing interest in our offshore exploration program and a growing recognition of our models for giant oil accumulations on the continental margin.

I would like to conclude by thanking shareholders for their continued support. We appreciate your patience and willingness to take this journey with us. It has taken longer than we expected, but we are finally in a position to test the exciting new models for oil and gas discovery on which Essential Petroleum was founded.

Essential Petroleum management with John Remfry and our excellent technical team have worked hard to make your Company a leader in pioneering exploration in the Otway Basin. We are in a very strong position in a basin that promises to be the most sought-after exploration address in Australia today.

**John Cornelius**  
Chairman  
Essential Petroleum Resources Limited

30 November 2005