



CHAIRMAN'S ADDRESS 2007 ANNUAL GENERAL MEETING

ESSENTIAL PETROLEUM RESOURCES LIMITED

Good Morning Ladies & Gentlemen

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

Since listing, Essential Petroleum's strategy has and remains centred on oil and gas exploration in the Otway Basin in south-eastern Australia as its principal objective.

What has changed is that your Company is now in a sound operational and financial position to take advantage of exploration and appraisal opportunities through its unique exposure to the Otway Basin:

- Essential Petroleum has secured a large acreage position both onshore and offshore in the Otway Basin and, more importantly, has built an exciting inventory of prospects and leads. The tenements held by the Company have the combined potential to host over 5 trillion cubic feet of recoverable gas resource and more than 2 billion barrels of recoverable oil resource.

- Essential Petroleum's significant exposure to the Discovery Bay High play fairway provides an excellent leverage opportunity for shareholders. The Discovery Bay High play fairway is being recognised as having the potential to be the next major hydrocarbon province within Australia's southern margins.

Highlights of 2006/07

Some highlights of the past financial year are well worth mentioning to demonstrate the heightened level of activity in your Company:

- Essential Petroleum, with Beach Petroleum – Operator, and Origin Energy, were granted Petroleum Retention Licence PRL 13 over the Killanoola oil resource in the Penola Trough, South Australia. The Killanoola DW-1 well flowed 25-30 BOPD of a waxy crude oil with a 10 to 15% water cut during an extended production test was carried out by a previous operator in 1999. Reservoir studies are being carried out and will be augmented by a new extended production test in early 2008.
- Essential Petroleum, in partnership with IOR, was also awarded the highly prospective permit, PEP 168, which encompasses the western part of the Port Campbell gas province and the onshore part of the pecten high trend in the Otway Basin, Victoria. Essential Petroleum has identified several untested prospects with direct hydrocarbon indicators (DHIS) on modern 3D seismic data in PEP 168.
- The Bernoulli 3D Seismic Survey in VIC/P46 was completed on 7 June 2007 and comprised approximately 320 square kilometres. The 3D data acquired is of good quality and preliminary interpretation of the 3D

imaging is promising. Final depth migrated processing is expected to be completed before year end.

- Essential Petroleum will today successfully complete a \$10 million capital raising including a \$4.0 million public issue which was heavily oversubscribed. The Company's cash position of about \$10 million will place the Company in its strongest financial position ever. The net proceeds of the capital raising will be used to fund a very active exploration and appraisal program over the next 12 months.

Strategy and Activities Program

1. Onshore:

Essential Petroleum's onshore tenements offer low cost exploration and development opportunities with a strong chance of success rated at between 1 in 2 and 1 in 3.

Up to 3 wells are planned to be drilled in PEP 168 in the first quarter of 2008. Proximity to producing fields and a position on the structural trend that hosts the principal play of success (the Waarre formation) within the region, lowers the exploration risk substantially. Essential Petroleum's assessment of the potential of PEP 168 is based on the identification of a number of untested Waarre prospects through detailed analysis of 3D seismic data acquired in 2000. Independent assessment of this PEP 168 data confirms the Company's view that although undiscovered gas accumulations are likely to be relatively small (up to 10BCF each estimated P50 recoverable prospective resource), their position with respect to infrastructure and market ensure rapid development and the profitability of any discovery.

Last year I reported that the Company would be participating in a work-over and extended production test of the Killanoola oil discovery. Since then, the JV has been granted a Retention Licence, PRL 13, containing the Killanoola field and Beach Petroleum has made a discovery of oil in nearby permit PEP 160 Beach as operator has now scheduled the work on Killanoola to take place in the first quarter of calendar 2008. Beach estimates that the Killanoola oil field hosts a mean recoverable resource of 800,000 barrels. Origin Energy Limited

believes that the Killanoola structure, including the southern lobe, has the potential to hold an in-place oil resource of as much as 7 million barrels. The opportunity for the JV is to recover as much of the in place oil as is economically feasible.

Revenue that may be generated from the development and commercialisation of onshore discoveries will be available to be used to assist in the funding of further onshore exploration and development and the high cost offshore exploration.

2. Offshore:

The Discovery Bay High play fairway has the potential to be the next major hydrocarbon province within Australia's southern margins. Essential Petroleum's unique exposure to this exciting play fairway provides an excellent leverage opportunity for shareholders. In the offshore Victorian part of the Otway Basin, Essential Petroleum holds a 25% interest in VIC/P46. Beach Petroleum Limited is the operator, holding a 50% interest in the permit, and Mitsui E&P Australia Pty Ltd holds a 25% interest.

The Fermat and Bernoulli prospects are the focus of the Company's exploration in Vic/P46. The recently acquired 3D seismic over Bernoulli was designed to resolve the structural complexities associated with the horst hosting the Bernoulli, Kepler and Joule prospects. The JV is planning to drill a well in VIC/P46 in late 2008. A slot in the program for the Seadrill, West Titon jack-up rig has been secured.

The Company's ultimate interest participation in this well will be dependent on the final cost estimates, its ability to meet those costs through equity raising and through farm-out.

In VIC/P50 where Essential Petroleum holds 100% exciting very high reward, high risk deep water exploration opportunities are evident. Continental margin exploration in water depths of greater than 500metres is an emerging frontier with many large discoveries in excess of 500 MMBOE in recent years. Advances in drilling technology have enabled exploration to move out to the continental slope margin where potentially prolific turbidite fan complexes are deposited.

Essential Petroleum has identified a number of exciting deep water shelf margin opportunities in VIC/P50 from seismic acquired by the Company. Two of these, the Curie Prospect and the Descartes Prospect have been matured to prospect status through the acquisition of over 1,000 kms of modern 2D seismic data. The two prospects are potentially very large, with a current estimated P50 recoverable oil resource of approximately 750 mmbbls at Curie and 800 mmbbls at Descartes (200 mmbbls in VIC/P50).

Oliphant and Euclid are exciting additions to Essential Petroleum's Discovery Bay High prospects and leads inventory. Both leads have the potential to host very large volumes of oil.

Essential Petroleum's investment in seismic and highly skilled professionals to interpret and map offshore seismic has led to the

geophysical and geological identification of deeper horizons and heads.

Essential Petroleum is working toward farming out an interest in VIC/P50 in return for a carried interest in new seismic acquisition and the drilling of a well. The Company's participation in a well in this permit will be subject to farming down its interest and/or raising additional capital.

John Remfry will be presenting more details on the prospects and leads associated with VIC/P46 and VIC/P50 later in his presentation.

Conclusion

We believe that the essential difference with your Company is that we have maintained our strategic focus on oil & gas exploration in the Otway Basin. Your Company is now in a far better operational and financial position to take advantage of exploration and development opportunities through its unique exposure to the Otway Basin:

- Essential Petroleum has a large acreage position both onshore and offshore in the Otway Basin and has built an exciting portfolio of prospects and leads.
- Essential Petroleum's significant exposure to the discovery Bay High play fairway provides an excellent leverage opportunity for shareholders.

- The significant continuing contribution and support of our major shareholders is acknowledged. We also acknowledge the continuing support of Bell Potter Securities and welcome CommSec. The underwriters' combined support to take the Essential Petroleum story to a broader investing public will create a deeper market for our shares.
- Your Company has a dedicated technical and commercial team of managers and consultants, who have assisted John Remfry to restructure the Company's permit portfolio and recapitalise the Company's balance sheet. Their efforts have placed your Company in an ideal position to exploit the exciting potential of the Otway Basin with our capable partners of choice.

We look forward to delivering rewards to shareholders and your continuing support as we enter a new exciting phase of the Company's growth and development.



John Cornelius
Chairman
Essential Petroleum Resources Limited

23 November 2007