

CHAIRMAN'S ADDRESS
2008 ANNUAL GENERAL MEETING

ESSENTIAL PETROLEUM RESOURCES LIMITED

Good Morning Ladies & Gentlemen.

Welcome to the 2008 Annual General Meeting of Essential Petroleum Resources Limited.

Essential Petroleum has had an exciting year. We undertook several important exploration activities. Two exploration wells were drilled in the onshore permit PEP 168 and a seismic survey was acquired over the onshore permit PEP 151 while pre-drilling location confirmation was undertaken in the offshore VIC/P46.

This commercial exploration activity delivered success with Essential Petroleum's first onshore gas discovery, at the East Wing-1 well in permit PEP 168. Our strategy has been to generate cash flow from the development of onshore discovery to help fund the Company's major objective which is the offshore Otway Basin.

Highlights of 2007/08

Some highlights of the 2007/08 financial year include:

- Essential Petroleum made its first commercial gas discovery in the June quarter with the successful drilling of the East Wing-1 well, located in the onshore permit PEP 168 near Port Campbell.
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A 12m section of the Waarre Formation gas zone was perforated and tested in September. This zone flowed gas at stable rates of up to 9 million cubic feet per day through a 26/64 inch choke which translates to an absolute open flow rate of up to 48 million cubic feet per day. Gas condensate was recovered and no water was produced.

Proximity of the East Wing-1 discovery to the onshore Port Campbell gas fields and infrastructure gives Essential Petroleum a very good chance of quickly commercialising this discovery. The Company believes that the key to commercial success in PEP 168 is through rapid, low cost development and low cost operations.

Detailed analysis of the test results has been undertaken to determine the estimated recoverable gas reserves for the East Wing-1 well. Essential Petroleum estimates proved reserves of 1.5 BCF and proved plus probable reserves of 2.1 BCF. A further 4.5 BCF gas resource is estimated in an adjacent fault block.

Confidential East Wing gas sales discussions have been entered into with interested gas retailers.

- The first well in the 2008 drilling program, Ayrford-1, in PEP 168 encountered elevated background gas readings in the Waarre Formation. However, petrophysical analysis of the wireline logs over the Waarre Formation indicated water saturations close to 100% and a detailed wireline pressure testing program failed to detect a producible gas column. The Ayrford-1 well was plugged and abandoned as a dry hole.

Essential Petroleum's interest in PEP 168 increased from 50% to 100% prior to the commencement of the drilling program following the withdrawal of the joint venture partner, Inland Oil Resources Pty Ltd, from the permit.

- The Company also acquired a 111 km 2D seismic survey in the onshore permit PEP 151 in March 2008. The objective of the survey was to upgrade to drillable prospect status the Digby West and Dartmoor leads. Seismic interpretation and mapping of target horizons of the seismic survey has commenced.
- Preliminary work was undertaken ahead of an Extended Production Test (EPT) of the Killanoola oil discovery in PRL 13.
- Progress with sea floor testing and final site selection was made towards the drilling of a major offshore Otway Basin prospect, Fermat, in permit VIC/P46. The West Triton rig is scheduled to commence drilling the Fermat-1 well in January 2009, barring any other further delays.
- Plans were progressed to farm out some of its interests in VIC/P46 and VIC/P50, using the consultants RISC. Some 30 interested parties sought access to the Data Room and discussions are continuing with several offshore groups.

- The Company completed a \$10.0 million capital raising in November 2007 to fund Otway Basin exploration opportunities. A further \$2.8 million was raised in March 2008 which was used to meet the extra capital requirements from Essential Petroleum's increased equity in permit PEP 168.

Strategy and Activities Program

While we are excited by the onshore East Wing gas discovery, our main challenge remains unlocking the large resource potential contained within our offshore permits in the Otway Basin.

There are three key points in Essential Petroleum's focus on the offshore Otway Basin, where the Company holds a 25% interest in permit VIC/P46 and a 100% interest in permit VIC/P50:

- (i) The southeastern part of the offshore Otway Basin contains a feature called the Pecten High, a proven hydrocarbon province hosting a number of recent commercial discoveries.
- (ii) A recently recognised, but much larger feature in the offshore Otway Basin, called the Discovery Bay High, has the potential to be at least as productive as the Pecten High; and
- (iii) Essential Petroleum has by far the largest exposure to the Discovery Bay High making the Company an attractive investment proposition.

Geologically, the Discovery Bay High and Pecten High are similar but while the Pecten High and Shipwreck Trough have been responsible for discoveries amounting to more than 1.5 trillion cubic feet (TCF) of gas, the Discovery Bay High has barely been explored.

Since 1987, no wells have been drilled on the Discovery Bay High and therefore none based on modern seismic data. The Company believes that the Discovery Bay High has potential recoverable resources of more than two billion barrels (bbls) of oil and five TCF of gas.

Offshore drilling is scheduled to start in January, 2009, on the Fermat prospect in VIC/P46 which has the potential to hold up to 1.15 TCF of recoverable gas resources.

It must be acknowledged, however, that Essential Petroleum's ability to participate in these exciting offshore opportunities is contingent upon farming out interests in VIC/P46 and VIC/P50 and upon being able to raise sufficient funds to cover its joint venture obligations in them.

The board of directors is conscious of the need to do this and of the impact the current international financial situation may have on Essential Petroleum's ability to raise sufficient funds to fulfill its obligations. The board is working vigorously towards achieving these necessary objectives.

Detailed discussions are being held with several offshore groups who have expressed an interest to farm-in to our offshore interests.

While Essential Petroleum's main focus is the participation in the drilling of the Fermat prospect in VIC/P46, we are also very excited about the very high reward, high risk deep water exploration opportunities in our other offshore permit, VIC/P50.

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, with the assistance of oil & gas industry consultants, RISC, has undertaken extensive work towards 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.

Conclusion

Essential Petroleum has built a significant exploration portfolio in the Otway Basin, in southeastern Australia. The Company remains focussed and committed to unlocking the large hydrocarbon resource potential of this basin.

While our participation in the drilling of the Fermat well is contingent upon farming out interests in VIC/P46, we are encouraged by the positive feedback we have received from the technical teams of potential farminees regarding the quality of our analysis of the leads and prospects in the VIC/P46 and VIC/P50 permits and discussions are continuing.

Although the Australian markets have been struck by a wave of negativity, due mostly to failures in the US banking system, there are a number of important facts which have, and will continue to, drive the fundamentals of the Australian energy sector and the importance of exploration activity.

Firstly, Australia is a net importer of oil. Australia's oil production has steadily declined since the year 2000. The forecast gap between the nation's oil consumption and production is expected to widen in the absence of any new significant oil discoveries which will make Australia increasingly reliant on oil imports and vulnerable to the high oil prices which are currently being adversely felt by consumers and businesses.

Secondly, Australia's consumption of natural gas is also rising strongly and, in eastern Australia, has been forecast to double within 10 years.

The importance of natural gas as a clean burning fuel to replace coal fired power generation assets in Australia and the Asia-Pacific region has been emphasised by the rapidly rising demand for Liquefied Natural Gas (LNG) and the rapid expansion of Australia's LNG export industry.

This increasing demand is being reflected in rising gas prices across Australia, a situation which is forecast to continue as Australia's international role as a major energy supplier to the Asian region expands.

We believe that Essential Petroleum is well positioned, with its new gas discovery and strong portfolio of exploration prospects, to assist with resolving Australia's growing demand for energy.

Essential Petroleum continues to lead the way in the exploration of the central Otway Basin and we are proud of our record as a pioneer in this exciting region. The seismic exploration and geological interpretation performed on the Discovery Bay High is an excellent example of the work performed by your Company's dedicated management and technical team of geologists and geophysicists.

Essential Petroleum remains focused on unlocking the vast potential of the under-explored Otway Basin. Having established an enviable portfolio of significant prospects, the Company has made its first gas discovery at East Wing-1 and progressed the Company's interests offshore.

Turning exploration into discoveries, production and cashflow is of key importance to the board, management and shareholders of Essential Petroleum.

I wish to thank our Managing Director, John Remfry and his management and technical team for their dedication and work last financial year in progressing the Company's onshore and offshore exploration activities.

I would also like to thank our shareholders and we look forward to your continuing support.



John Cornelius
Chairman
Essential Petroleum Resources Limited

27 November 2008