



ESSENTIAL PETROLEUM RESOURCES LIMITED QUARTERLY EXPLORATION REPORT FOR THE THREE MONTH PERIOD ENDED 31 March 2006

Highlights

- Essential Petroleum achieves farm-out objectives in VIC/P46 and PEP 151.
- Beach Petroleum Limited increases interest in VIC/P46 from 17.5% to 50%.
- Inland Oil Resources Pty Ltd (IOR) and Bass Strait Oil Company Limited (BAS) have each earned the right to take a 25% interest in PEP 151 as a result of contributing to the drilling of the Pritchard 1 well.
- 280km 2D seismic survey on schedule for acquisition in VIC/P50 in May 2006.

Summary

During the March quarter Essential Petroleum achieved farm-out objectives in VIC/P46 and PEP 151. In February IOR agreed to earn a 25% interest in the Pritchard 1 well in PEP 151, joining BAS which also earned a 25% interest. In March Essential Petroleum accepted an offer from Beach Petroleum Limited to increase its interest in VIC/P46 from 17.5% to 50%.

The Pritchard 1 well in PEP 151 spudded on 27 March 2006 and reached TD 2543m in lower Sherbrook Group sediments in April. The well was plugged and abandoned.

The OEP06 2D Marine Seismic Survey, comprising approximately 280 line km in VIC/P50, is on schedule to be acquired in May 2006. Santos Ltd has been contracted to acquire this survey on our behalf as part of its 2006 Southern Margins Seismic Survey.

During the quarter no commercial hydrocarbons were discovered or acquired by the Company.

PEP 151 100% Onshore Otway Basin Victoria

Inland Oil Resources Pty Ltd (IOR) agreed to earn a 25% interest in the Pritchard 1 well in PEP 151. IOR joins Bass Strait Oil Company Limited (BAS) which also earned a 25% interest in the Pritchard 1 well. As a result of contributing to the drilling of the Pritchard 1 well IOR and BAS have the right to elect to be assigned a 25% interest in PEP 151 within 3 months of the date of rig release of the Pritchard 1 well. The farm-out of PEP 151 has been negotiated on terms that recognize Essential's contribution to the permit.

The Pritchard 1 well in PEP 151 spudded on 27 March 2006. The well reached TD 2543m in lower Sherbrook Group sediments on 12 April and was plugged and abandoned. Whilst good reservoir sands were intersected at the target horizons, oil and gas shows were absent. The well encountered good background gas in the lower Sherbrook Group shales indicating that hydrocarbons have migrated through the sequence.

PEP 150 50% Onshore Otway Basin Victoria

No further technical work has been undertaken in the permit.



PEP 159 100% Onshore Otway Basin Victoria

No further technical work has been undertaken in the permit. The permit expired with work commitments fulfilled on 11 March 2006.

PEL 72 50% Onshore Otway Basin South Australia

Experimental testing of processing parameters and sequences applied to the Harris Flat Seismic Survey has been completed. A processing sequence has been developed that appears to significantly reduce noise and improves reflector character and continuity. Two lines have been reprocessed. The remaining five lines will be reprocessed and the entire survey reinterpreted, subject to JV approval.

PEL 27 20% Onshore Otway Basin South Australia

Essential Petroleum is awaiting a recommendation of action from the operator of PEL 27, Beach Petroleum Limited, that will include further work on Killanoola and Killanoola South to determine the optimum retention licence and/or drill testing the Nampara Prospect.

Essential Petroleum is also considering an option to take up a 20% interest in PEL 136 immediately north of PEL 27. Beach has agreed to a 6 month extension on the PEL 136 option to 21 August 2006.

VIC/P46 57.5% Offshore Otway Basin

In March 2006, Essential Petroleum accepted an offer from Beach Petroleum to increase its interest in VIC/P46 from 17.5% to 50%. By increasing its interest in VIC/P46 to 50%, under the provisions of the joint venture agreement, Beach will become the operator of the permit. Essential Petroleum will retain a 25% interest in VIC/P46 and will be substantially carried by its JV partners through an exciting 3D seismic acquisition and drilling program.

Due to the lack of an available seismic acquisition vessel the planned 300sq km 3D seismic survey will most likely occur in the next seismic acquisition window in November 2006.

VIC/P50 100% Offshore Otway Basin

The OEP06 2D Marine Seismic Survey, comprising approximately 280 line km in VIC/P50, is on schedule to be acquired in May 2006. Santos Ltd has been contracted to acquire this survey on Essential Petroleum's behalf as part of its 2006 Southern Margins Seismic Survey. The required applications have been submitted to the Joint Authority.

The survey has been designed to seismically detail the northeast permit area to determine the influence of the Discovery Bay High on sediment thickness and sand distribution and to better define shelf margin and slope targets.

The Joint Authority has approved an eight month suspension of permit conditions and an eight month extension of the permit term. Year 2 now ends 16 September 2006. The suspension and extension will allow the acquisition and processing of the OEP06 2D Marine Seismic Survey prior to the end of permit year 2.

ESSENTIAL PETROLEUM RESOURCES LTD
PERMIT EXPENDITURE SUMMARY FOR THE QUARTER ENDED 31 MARCH 2006*

Permit Number	Essential Petroleum Interest	Seismic Survey Expenditure	Geological & Geophysical Studies	Environment, Native Title & Permit Maint.	Drilling Expenditure	Total
PEP 151	100.00%	\$ -	\$ -	\$ 10,032.00	\$ 384,951.42	\$ 394,983.42
PEP 150	50.00%	\$ -	\$ -	\$ -	\$ -	\$ -
PEP 152	84.41%	\$ -	\$ -	\$ -	\$ -	\$ -
PEP 159	100.00%	\$ -	\$ -	\$ 157.28	\$ -	\$ 157.28
PEL 72	50.00%	\$ -	\$ -	\$ 747.95	\$ -	\$ 747.95
VIC/P46	67.50%	\$ -	\$ -	\$ 3,752.93	\$ -	\$ 3,752.93
VIC/P50	100.00%	\$ -	\$ 1,830.16	\$ -	\$ -	\$ 1,830.16
PEL27	20.00%	\$ -	\$ 127.95	\$ 10,738.00	\$ 60,000.00	\$ 70,865.95
Non Specific	100.00%	\$ -	\$ 3,781.91	\$ -	\$ -	\$ 3,781.91
		\$ -	\$ 5,740.02	\$ 25,428.16	\$ 444,951.42	\$ 476,119.60

* This statement has been prepared based on accrual accounting principles

John Remfry, Managing Director, Essential Petroleum Resources Limited has prepared this Quarterly Exploration Report.

Appendix 5B

Mining exploration entity quarterly report

Name of entity:

Essential Petroleum Resources Limited

ACN or ARBN

089 956 150

Quarter ended ("current
quarter")

31 March 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	1,147	1,215
1.2 Payments for		
[a] exploration and evaluation	(486)	(1,314)
[b] development		
[c] production		
[d] administration	(250)	(677)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	32	121
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	443	(655)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
[a] prospects	-	-
[b] equity investments	-	-
[c] other fixed assets	-	(14)
1.9 Proceeds from sale of:		
[a] prospects	-	-
[b] equity investments	-	-
[c] other fixed assets	12	12
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net Investing Cash Flows	12	(2)
1.13 Total operating and investing cash flows (carried forward)	455	(657)

Appendix 5B

Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	455	(657)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,410	1,410
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (payment in relation to capital raising)	(89)	(89)
Net financing cash flows		1,321	1,321
Net increase (decrease) in cash held		1,776	664
1.20	Cash at beginning of quarter/year to date	2,061	3,173
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,837	3,837

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	71
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Receipts as stated in 1.1 include payments from Bass Strait Oil Company Limited and Inland Oil Resources Pty Ltd as reimbursement of historic costs in the Victorian onshore permit PEP 151 as a requirement of farm-in agreements entered into by the Company with each party.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest.

Bass Strait Oil Company Limited and Inland Oil Resources Pty Ltd are contributing to the drilling of the exploration well, Pritchard-1 in PEP 151, to earn an interest in the well.

Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	370
4.2 Development	-
Total	370

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	805	552
5.2 Deposits at call	3,032	1,509
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,837	2,061

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			


Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter:				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities	180,700,656	180,700,656		
7.4 Changes during quarter:				
(a) Increases through issues	23,500,000	23,500,000	6 cents	6 cents
(b) Decreases through returns of capital, buy-backs, redemptions				
7.5 Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter:				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
Employee Options		-		
Unlisted Options		-		
7.8 Issued during quarter				
- Employee Options				
- Unlisted Options				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(total only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance Statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act, 2001 or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 

Date: 27 April 2006

(Director)

Print Name: **John G Remfry**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.