

**ESSENTIAL PETROLEUM RESOURCES LIMITED
 QUARTERLY EXPLORATION REPORT
 FOR THE THREE MONTH PERIOD ENDED 30 JUNE 2001**

During this period, geological and seismic interpretation studies were undertaken with a view to maturing the prospectivity of our permits. A seismic survey in PEP 159 was undertaken and an exploration well was drilled in PEL 72 during the quarter. No hydrocarbon reserves were discovered or acquired during this period.

PEL 72 - 25% Onshore Otway Basin South Australia

The Company's first exploration well was drilled in this permit. McNamara Park 1 was targeted at Waarre Formation sandstones as a potential gas play. Unfortunately the well failed to find hydrocarbons and was plugged and abandoned as a dry hole. The well failed to contain hydrocarbons due to the poor quality of the Belfast Mudstone seal. The unit interpreted as Belfast Mudstone proved to contain silty claystones and silty fine sands which effectively allowed hydrocarbons to escape through the bounding fault to the north. The well was drilled as cost effectively as possible with no drilling or mechanical problems. The well has downgraded the permit to the north and future exploration will concentrate in the south near the coast.

McNamara Park 1 was drilled to a total measured depth of 2057 metres with a corresponding vertical depth of 2030 metres relative to ground level. The well was tested over 2 intervals as summarised below and was plugged and abandoned as a dry hole on July 4th 2001.

Test Interval (MD,RKB)	Age	Formation	Lithology	Fluid Recovered
1666.0 – 1682.0	Late Cretaceous	Flaxman	Sandstone	Water
1917.5 – 1936.0	Late Cretaceous	Waarre	Sandstone	Water

PEL 57 - 15% Option Onshore Otway Basin South Australia

The Company had an option to take a 15 percent participating interest in this permit which had to be exercised within one month of rig release from the McNamara Park No. 1 well. The failure of the Belfast Mudstone seal in the McNamara Park structure effectively downgraded the prospectivity of the identified prospects in this permit and the Company elected not to take up its option over this permit.

PEP 151 - 100% Onshore Otway Basin Victoria

Native Title negotiations have been concluded with the Gournditch-Mara native title claimants and a Petroleum Exploration Project Consent and a Petroleum Exploration Deed have been drafted. Finalisation of these Deeds is with the Victorian Government and the Company anticipates a successful outcome in the next quarter of this year.

A preliminary design of a seismic survey has been completed and modelling studies will be undertaken to determine the fold which can be acquired over the survey. Part of the survey area is in State Forest and part is within a National Park area. A National Parks – Essential Petroleum working group has been established to discuss possible impacts on the Park. Most of the survey will be undertaken on existing roads and tracks within the Park and forest areas and the working group has carried out field inspections of the proposed acquisition lines.

PEP 150 - 25% Onshore Otway Basin Victoria

Origin Energy Resources Limited as the operator of the permit, is continuing Native Title negotiations with the Gournditch-Mara native title claimants and access rights on behalf of the Joint Venture participants.

PEP 152 - 33.9% Onshore Otway Basin Victoria

Geophysical data reprocessing of all seismic lines over the Tower prospect is being undertaken by the operator of the permit, Origin Energy, with a view to more accurately mapping the prospect. The Company is currently remapping the Port Fairy prospect, which is a Waarre Formation play, with a view to maturing a drilling location. The Company has a contingent budget for drilling in the December quarter 2001.

PEP 159 - 50% Onshore Otway Basin Victoria

The Gypsy Creek 2D seismic survey of 66 kilometres over the Cartcurrong lead was completed during the quarter and is currently being processed.

Geological and geophysical studies of the Findra Nullawaarre prospect are continuing with a view to maturing a drilling location.

Vic/P46 - 100% Offshore Otway Basin

The Company has been awarded this offshore Otway Basin permit. Preliminary geological and geophysical studies have commenced.

PERMIT EXPENDITURE SUMMARY FOR THE PERIOD

Permit Number	EPRL Percentage Interest	Seismic Survey Expenditure	Drilling Expenditure
PEL 72	25 %	\$0.00	\$208,818.00
PEL 57	Option not Exercised		
PEP 151	100 %	\$6,000.00	\$0.00
PEP 150	25 %	\$0.00	\$0.00
PEP 152	33.9 %	\$14,178.00	\$0.00
PEP 159	50 %	\$199,075.00	\$0.00
VIC/P46	100 %	\$0.00	\$0.00

Roger Blake MSc, Exploration 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")

June 30, 2001

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	4	11
1.2 Payments for		
[a] exploration and evaluation	(469)	(843)
[b] development	-	-
[c] production	-	-
[d] administration	(275)	(1,402)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	96	194
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	(644)	(2,040)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
[a] prospects	-	-
[b] equity investments	-	-
[c] other fixed assets	(3)	(21)
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	9	(9)
1.13 Total operating and investing cash flows (carried forward)	(635)	(2,049)

Appendix 5B

Mining exploration entity quarterly report

1.13 Total operating and investing cash flows (brought forward)	(635)	(2,049)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	7,500
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 (provide details if material)	-	(745)
Net financing cash flows	-	6,755
Net increase (decrease) in cash held		
	(635)	4,706
1.20 Cash at beginning of quarter/year to date	7,235	1,894
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	6,600	6,600

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	(152)
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

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.

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	(705)
4.2 Development	-
Total	(705)

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	90	3,775
5.2 Deposits at call	6,510	3,460
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	6,600	7,235

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)
Preference securities				
7.1 (description)				
7.2 Changes during quarter:				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities	67,925,002	67,925,002		
7.4 Changes during quarter:				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
Convertible debt securities				
7.5 (description)				
7.6 Changes during quarter:				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
7.7				
Shareholder Options	35,762,501	35,762,501	\$0.20	01/12/2002
Employee Options	3,500,000	-	\$0.35	30/06/04
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (total only)				
7.12 Unsecured notes (totals only)				

Compliance Statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does/does not (*delete one*) give a true and fair view of the matters disclosed.

Sign here: _____
(Director/Company secretary)

Date: _____

Print Name:

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.