

## ASX ANNOUNCEMENT

**17 November 2004**

### **Market Update**

Essential Petroleum Resources as operator of offshore Victorian Permits VIC/P46 and VIC/P50 is pleased to advise that it has commenced a seismic survey of approximately 1,100 linear kilometres in its offshore Otway Basin permits. The survey will involve the acquisition of 391 kms of 2D seismic in VIC/P46 and 717 kms of 2D seismic in VIC/P50.

The survey is being managed by Santos Limited as agent on behalf of Essential Petroleum under an Agency agreement and is expected to be completed by 25 November 2004.

In response to the many shareholder requests we have had concerning the significance of the recently completed Callister well drilled by Santos in VIC/P51, Essential Petroleum would like to make the following observations.

Very little information about Callister 1 drilling results has been made publicly available. Callister 1 was drilled to a total depth of 3914 metres, almost 300 metres deeper than the planned total depth of 3630 metres. Santos' pre drill objectives of the well were to test the gas bearing potential of formations at depths of approximately 2400 meters and 3600 metres. From the seismic data available to Essential Petroleum, this would include the Nullawarre and Waarre Formations.

Santos has reported that gas shows have been encountered in the well, however no indication of the interval over which the shows occurred has been given. There is also no indication as to the occurrence and quality of any reservoir zones within the gas bearing interval. However Essential Petroleum regards the presence of gas shows within the zone of interest as very encouraging.

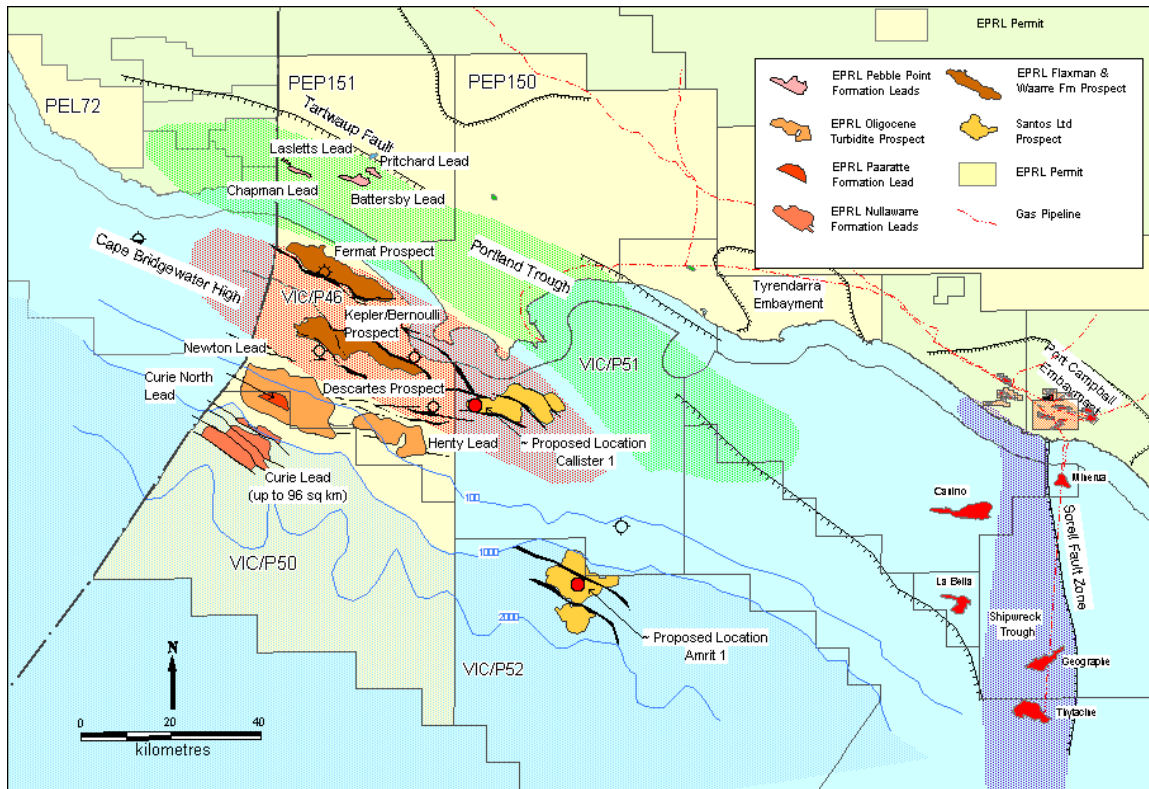
Since Essential Petroleum's incorporation, our technical team has been extensively mapping of the petroleum systems on the continental shelf in VIC/P46 and adjacent areas including the Callister prospect. Particular attention has been paid to the distribution of the Waarre Formation within these systems. As demonstrated in the Casino field in VIC/P44, Essential Petroleum believes that the commercially critical reservoir is better developed down dip and on the flanks of the structures on and around the Cape Bridgewater High. This includes Essential Petroleum's own prospects, Kepler - Bernoulli and the northern flank of the FERMAT prospect in VIC/P46 as well as Callister in VIC/P51.

In summary it is only possible for Essential Petroleum to conclude that the Callister well was drilled on the crest of a structure that may have 300 to 400 metres of closure at the Waarre level and that gas shows in the well have been encountered. Such a result is encouraging for the potential of Essential Petroleum prospects in VIC/P46.

The presence of gas confirms the presence of an active petroleum system and, while no reservoir quality sands in Callister have been reported, the Kepler-Bernoulli prospect and the northern flank of the Fermat prospect are interpreted to contain well developed Waarre "C" sandstone and younger sandstone reservoirs with the potential to host large quantities of commercially viable gas.

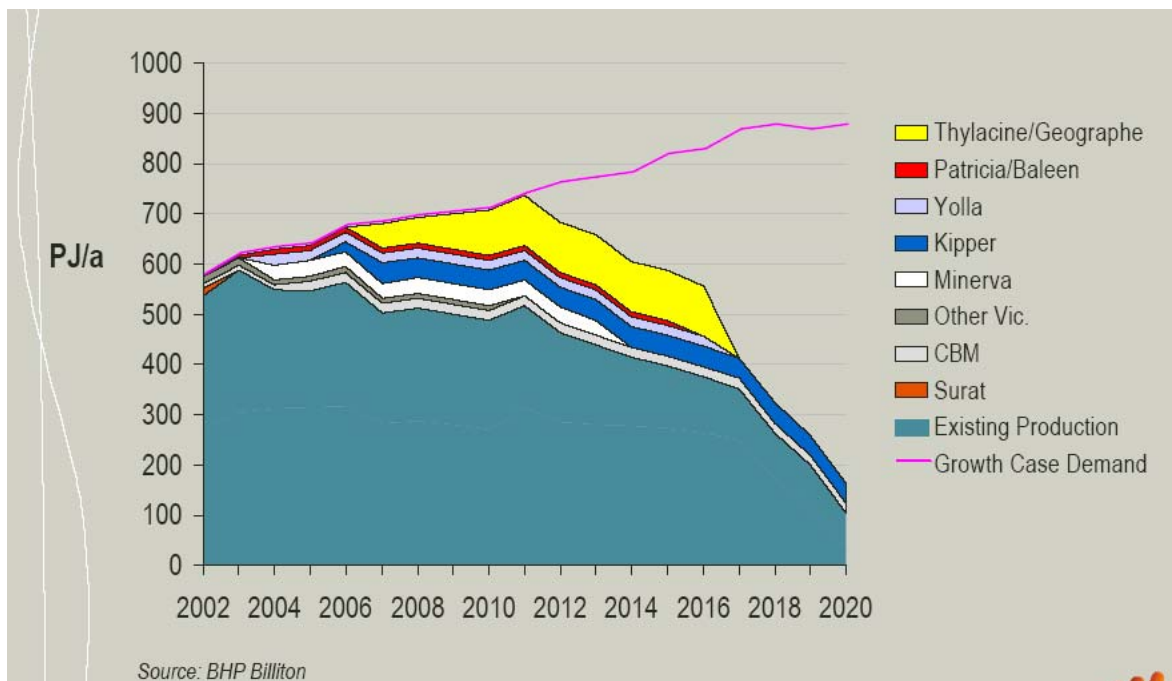
## Background to the Otway Basin

The Otway basin is regarded as one of the most prospective and largely unexplored oil and gas provinces in Australia. In the last 4 years significant gas discoveries have been made in the Shipwreck Trough at Geographe, Thylacine and Casino following earlier discoveries at Minerva and La Bella in 1992.



Essential Petroleum as shown above is a major holder of highly prospective exploration permits in the Otway Basin and believes that future discoveries within the Basin will play a critical role in solving a forecast gas shortage facing Eastern Australia.

The chart below shows a gas supply and demand scenario for Eastern Australia that predicts a serious shortfall in the supply of contracted gas. This scenario creates a market opportunity for a new supplier of gas to the Eastern Australia gas market.



In order to capture this unique opportunity, significant discoveries of commercially recoverable gas in close proximity to existing infrastructure must be found within the next two to three years. Essential Petroleum believes it has the permits and mature prospects with the potential to fulfill this need, having previously reported a potential recoverable gas resource in excess of three trillion cubic feet from the prospects identified in VIC/P46.

The Otway Basin should not be seen as a gas only basin. Essential Petroleum's technical team have identified and mapped four independent petroleum systems within its permits exposing it to both oil and gas opportunities.

The outer continental shelf and slope in the southern part of VIC/P46 and in the entire area of VIC/P50, gives Essential Petroleum exposure to an expected oil prone petroleum system that if successful, has the potential to host recoverable oil resources in excess of one billion barrels.

While Essential Petroleum does not have any offshore wells planned this season, the Company is planning two exploration wells in 2005-2006. The two Santos wells, Callister just completed and Amrit soon to commence drilling, may offer an insight into the potential of Essential Petroleum's prospects and leads as more detailed information becomes available.



Essential  
Petroleum  
Resources  
Limited

Interests in permit VIC/P46 are:

Essential Petroleum Resources Limited (Operator)	57.5%
Mittwell Energy Resources Pty Ltd	25.0%
Beach Petroleum Limited	17.5%

Interests in permit VIC/P50 are:

Essential Petroleum Resources Limited (Operator)	100%
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**John Remfry**  
Managing Director

Enquiries: Mr John Remfry, Managing Director  
Phone: (03) 9699 3009  
Facsimile: (03) 9699 3110