



Essential
Petroleum
Resources
Limited

VIC/P46

Offshore Otway Basin Victoria

Expenditure Report

**for the Period
28 May 2002 to 27 November 2002**

**1st Report Period
Permit Year 2**

**Prepared by:
Essential Petroleum Resources Ltd, Operator
June 4 2003**

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1. Introduction

Petroleum exploration permit VIC/P46 is located over the offshore Otway Basin, Victoria. This exploration permit was awarded to Essential Petroleum Resources Ltd under the Petroleum (Submerged Lands) Act 1967 on 28 May 2001. The permit was awarded for a period of six years. The first six months of exploration activity has been completed for Year 2 in compliance with permit conditions.

2. Administration

VIC/P46 was awarded 100% to Essential Petroleum Resources Ltd (Essential Petroleum). Mittwell Energy Resources Pty Ltd is earning a 32.5% interest.

The minimum work requirements for the permit are shown in Table 1 below.

Table 1: Work Program for Vic/P46

Year of Term of Permit	Minimum Work Requirements	Estimated Expenditure in Constant Dollars (indicative only)
Year 1	Reprocessing of seismic data Geophysical and geological review	\$ 75,000
Year 2	500km 2D seismic survey	\$ 500,000
Year 3	Data review Geophysical and geological review	\$ 75,000
Year 4	100km 2D seismic survey	\$ 100,000
Year 5	One well Geophysical and geological review	\$ 7,150,000
Year 6	Geophysical and geological review	\$ 75,000

3. Expenditure Statement

Exploration activity and expenditure for the period 28 May 2002 to 27 November 2002 are summarised in Table 2.

**Table 2: Exploration activity and expenditure
for the period 28 May 2002 to 27 November 2002**

Exploration Activity	Description	Expenditure
Geophysical and Geological Studies	Geophysical interpretation	\$8000
	Palynology	\$1000
	Geological mapping, modelling, analysis and interpretation	\$10421
	Data purchases	\$129
	Drafting and Printing	\$4350
Seismic data acquisition, processing/reprocessing	Seismic acquisition and processing	\$1200000
	Native Title/Environmental Consultant	\$2209
	Travel and Accommodation	\$1206
	Courier	\$54
TOTAL		\$1,227,369

MINERAL RESOURCES DEVELOPMENT ACT (1990)

**SCHEDULE 15, PART 1: EXPLORATION EXPENDITURE
for EXPLORATION LICENCES and exploration on MINING LICENCES**

Section 1. Tenement type, number and operation name: (One licence only per form)

Type	Exploration Licence
Number	VIC/P46
Operation Name (optional)	OFFSHORE OTWAY

Section 2. Period covered by this return:

Six-month period:		If Final Report:	
From	28 May 2002	From	
To	27 November 2002	To	

Section 3. If accompanying an Annual Technical report, give:

Title of Technical Report	
Author	

Section 4. Locality of Operation:

Nearby town names	N/A- Offshore
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Section 5. Work Program for the next six months:

Activities proposed (please mark with an "X"):	
<input type="checkbox"/> Drilling and/or costeaning	<input type="checkbox"/> Airborne geophysics
<input checked="" type="checkbox"/> Literature review	<input checked="" type="checkbox"/> Geophysical Interpretation
<input type="checkbox"/> Geological mapping	<input type="checkbox"/> Other: Seismic survey
<input type="checkbox"/> Rock/soil/stream sediment sampling	

Section 6. Summary of Operations and Expenditure:

Mark the work done for the appropriate subsections with an "X" or similar, except where indicated.

If a Technical Report accompanies the Expenditure Report, complete the right-hand columns to indicate the data supplied with the Technical Report.

Do not include the following as expenditure:

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • Insurance • Departmental Fees • Bond | <ul style="list-style-type: none"> • Transfer costs • Legal costs • Advertising | <ul style="list-style-type: none"> • Company Prospectus • Land Access Compensation • Title Search • Fines |
|--|--|---|

Attachment 1: Schedule 15, Part 1: Exploration Expenditure for Exploration Licences And Exploration On Mining Licences

Exploration Work type	Work Done (mark with an "X" or provide details)	Expenditure	Data and Format Supplied in the Technical Report	
			Digital	Hard copy
Office Studies				
Literature search				
Database compilation	X	\$129		
Computer modelling				
Reprocessing of data				
General research	X	\$10421		
Report preparation				
Palynology	X	\$1000		
	Subtotal	\$11550		
Airborne Exploration Surveys (state line kms)				
Aeromagnetics		kms		
Radiometrics		kms		
Electromagnetics		kms		
Gravity		kms		
Digital terrain modelling		kms		
Other (specify)		kms		
	Subtotal	\$		
Remote Sensing				
Aerial photography				
LANDSAT				
SPOT				
MSS				
Other (specify)				
	Subtotal	\$		
Ground Exploration Surveys				
Geological mapping				
Regional				
Reconnaissance				
Prospect				
Underground				
Coastal				
Ground geophysics				
Radiometrics				
Magnetics				
Gravity				
Digital terrain modelling				
Electromagnetics				
SP/AP/EP				
IP				
AMT				
Resistivity				
Complex resistivity				
Seismic reflection	729 line kms	\$1200000		
Seismic refraction				
Well logging				
Geophysical interpretation	X	\$8000		
Native Title/Environmental Consultant	X	\$2209		

Attachment 1: Schedule 15, Part 1: Exploration Expenditure for Exploration Licences And Exploration On Mining Licences

Geochemical Surveying (state number of samples)					
Drill (cuttings, core, etc.)					
Stream sediment					
Soil					
Rock chip					
Laterite					
Water					
Biogeochemistry					
Isotope					
Whole rock					
Mineral analysis					
Drill sample					
Laboratory analysis (type)					
Other (specify)					
Ground Exploration Subtotal				\$1210209	
Drilling (state number of holes & metres)					
Diamond	holes	metres			
Reverse circulation (RC)	holes	metres			
Rotary air blast (RAB)	holes	metres			
Air-core	holes	metres			
Auger	holes	metres			
Other (specify)	holes	metres			
Field staff wages					
Vehicles					
Consumables					
Allowances					
Subtotal				\$	
Other Operations					
Costeaming/Ditchwitching					
Bulk sampling					
Mill process testing					
Ore reserve calculation					
Shaft restoration					
Mining					
Shaft restoration					
Mining					
Petrology					
Mineral processing					
Other (specify)					
Subtotal				\$	
Rehabilitation					
After drilling					
Track maintenance					
Monitoring					
Other (specify)					
Subtotal				\$	
Administration (less than 15% of total)					
Drafting		X	\$4350		
Overheads		X	\$1260		
Subtotal				\$5610	
TOTAL EXPENDITURE				\$1227369	

Section 7. Comments on your exploration activities:

Existing seismic data has been interpreted and prospects and leads identified.

The acquisition of 729 line kilometres of 2D seismic data has been completed. The data will be processed and interpretation commenced in the next six month period.

The analysis of data from existing wells will continue and depositional models for reservoirs will be developed.

I certify that the information contained herein, is a true statement of the operations carried out and the monies expended on the above mentioned Exploration Licence during the period specified as required under the *Mineral Resources Development Act (1990)* and the Regulations thereunder.

I have attached the Technical Report

1. Name:	W. J. R. Blake	2. Name:	
Position:	Director of Exploration	Position:	
Signature:		Signature:	
Date:	4 June 2003	Date:	