



Essential
Petroleum
Resources
Limited

PEP 151

Onshore Otway Basin Victoria

Expenditure Report

**For the Period
16 May 2004 to 15 Nov 2004**

**1st Report Period
Permit Year 3**

**Prepared by:
Sandra Menpes
Essential Petroleum Resources Ltd, Operator
April, 2005**

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1. Introduction

Petroleum exploration permit 151 (PEP 151) is located over the onshore Otway Basin, Victoria. The exploration permit was awarded to Essential Petroleum Resources Ltd under the *Petroleum Act 1998* on 16 May 2002. The permit was awarded for a period of five years. The first six months of exploration activity has been completed for Year 3 in compliance with permit conditions.

2. Administration

PEP 151 was awarded 100% to Essential Petroleum Resources Ltd (Essential Petroleum).

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

Table 1: Work Program for PEP 151

Year of Term of Permit	Minimum Work Requirements	Estimated Expenditure in Constant Dollars (indicative only)
Year 1	Data review	\$50,000
Year 2	100 km 2D seismic	\$450,000
Year 3	One well	\$1,000,000
Year 4	Data review and 50km 2D seismic	\$225,000
Year 5	One well	\$1,000,000

3. Expenditure Statement

Exploration activity and expenditure for the period 16 May 2004 to 15 November 2004 are summarised in Table 2 below:

**Table 2: Exploration Activity and Expenditure
for the Period 16 May 2004 to 15 November 2004, PEP 151**

Exploration Activity	Description	Expenditure
Geophysical and Geological Studies	Seismic Interpretation	\$17,520
Environment and Native Title Compliance	Native Title Negotiations	\$3,250
	Environment – Consulting	\$3,750
Seismic Survey	Seismic Processing	\$7,626
	Other (Native Title and Environment consulting)	\$5,100
Other		\$593
TOTAL		\$37,839

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	PEP 151
Operation Name (optional)	

Section 2. Period covered by this return:

Six-month period:		If Final Report:	
From	16 May 2004	From	
To	15 November 2004	To	

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

Title of Technical Report	
Author	

Section 4. Locality of Operation:

Nearby town names	<i>Nelson, Dartmoor</i>
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Section 5. Work Program for the next six months:

Activities proposed (please mark with an "X"):

<input checked="" type="checkbox"/> Drilling
<input type="checkbox"/> Literature review
<input type="checkbox"/> Airborne geophysics
<input checked="" type="checkbox"/> Geological evaluation
<input type="checkbox"/> Seismic processing
<input type="checkbox"/> Rock/soil/stream sediment sampling
<input checked="" type="checkbox"/> Seismic Interpretation

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:

- | | | |
|---------------------|------------------|----------------------------|
| • Insurance | • Transfer costs | • Company Prospectus |
| • Departmental Fees | • Legal costs | • Land Access Compensation |
| • Bond | • Advertising | • 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				
General Research				
Palynology				
Seismic interpretation	X	\$17,520		
Native title negotiations	X	\$3,250		
Environmental Consulting	X	\$3,750		
	Subtotal	\$24,520		
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				
Costean				
Ground geophysics				
Radiometrics				
Magnetics				
Gravity				
Digital terrain modelling				
Electromagnetics				
SP/AP/EP				
IP				
AMT				
Resistivity				
Complex resistivity				
Seismic reflection				
Seismic refraction				
Well logging				
Seismic processing	X	\$7,626		
Native Title and Environment consulting	X	\$5,100		

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				\$12,726	
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					
Other		X		\$593	
Subtotal				\$593	
TOTAL EXPENDITURE				\$37,839	

Section 7. Comments on your exploration activities:

Processing of the 2003 Nelson 2D-3D Seismic Survey has been completed and data interpretation is underway. Several leads and prospects have been identified. Prospects will be risked and ranked in the second six-month period of permit year three. The most attractive target(s) will be drill tested subject to rig availability.

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: J. G. Remfry

2. Name:

Position: Managing Director

Position:

Signature:

Signature:

Date: 29 April 2005

Date: