

6 September 2006

Company Announcements
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

DRILLING REPORT FOR PRIMERO-1, REIDS DOME, PEL - 231, BOWEN BASIN, CENTRAL QUEENSLAND

Victoria Petroleum N.L. has been advised by the operator White Sands Petroleum Limited (WSP) of the following update of drilling progress for the Primero-1 well currently drilling in the Reid's Dome, Bowen Basin, Central Queensland.

Since the last report, 9⁵/₈ inch casing was set at 282 metres on 1 September 2006 and the current operation is preparing to drill ahead from 493 metres to test the oil and gas shows recorded in the Reids Dome Beds from 518 metres to 2,700 metres.

Key Points

- **Encouraging results from the shallow Cattle Creek Formation with an initial gas flow rate of 2.8 million cubic feet per day**
- **The Cattle Creek Formation will be evaluated as a potential gas field project**
- **Primero-1 will continue to drill into the deeper primary objectives within the Reid's Dome Beds which have not been tested since 1954**

Primero-1 – Drilling Objectives

The objective of Primero-1 is to test the resource potential of two zones.

Shallow Gas – Cattle Creek Formation

WSP expects to establish whether there are sufficient gas reserves in the Cattle Creek formation to justify a commercial gas project with the potential to contain 30 billion cubic feet as outlined in the WSP prospectus. Primero-1 will add significantly to the data collected on this resource.

Deep Gas – Reids Dome Beds

Underlying the Cattle Creek Formation is the primary objective, the deeper Reids Dome Beds with potential to contain recoverable gas in excess of 300 billion cubic feet as outlined in the prospectus.

Preliminary Results

Shallow Gas – Cattle Creek formation

Shallow Gas was encountered in the expected zone beginning at 134m depth in the well. This zone was thicker than expected (base at 151m) and responded very well to air drilling technology. As the air drilling continued, additional gas bearing sands were encountered.

Several of these additional gas bearing sand units appeared to be contributing to the flow of gas from the well to the flare. A decision was made to continue with air drilling to the base of the Cattle Creek before deciding on the casing point.

The well reached the base of the Cattle Creek Formation at 493m depth and a wire line geophysical log has been run from this depth to the casing shoe at 116m to assist in the evaluation of the shallow gas zones.

Wire line logs confirmed 2 zones of gas-bearing reservoir are contributing to the majority of the gas flow.

Results obtained to date from Primero-1 are encouraging. The initial flow of gas from the well was established while circulating with air on bottom at 141m. The gas being flared was therefore coming from a sand unit of approximately 7m thickness.

A steady flare with estimated flow of 2.8 million cubic feet per day was reported at this depth which is significantly greater than previous drilling results in this permit. This improved gas flow is likely to be attributable to modern drilling techniques that WSP have implemented in its current drilling.

Gas flow rates will need to be tested again after the well is cased. Casing will eliminate water from entering from the above gas bearing horizon and allow the gas zones to be tested through perforations.

Encouraging results in the Cattle Creek Formation have led WSP to begin a thorough review of all existing data available from other wells previously drilled into this formation at Reid's Dome. This information will be re-examined with a fresh point of view based on concepts developing from the data obtained from operations at Primero-1.

This review of data will lead to a preliminary assessment of the potential for economically viable development of the Cattle Creek Formation within PL-231. If the assessment is encouraging, then WSP as Operator of the PL-231 joint venture will identify the steps to be taken towards early commercial development.

Deeper Gas – Reids Dome Beds

The Reids Dome Beds contain a series of formations with the potential to host petroleum reserves if good quality reservoir rocks are present. The AOE-1 well, 50 metres to the west of Primero-1 drilled into these units in 1954 with heavy drilling mud.

The mud used in this original wildcat well would almost certainly have caused a heavy filter cake to build on the walls of the hole causing damage to the pores of any potential reservoir formations.

Despite likely formation damage AOE-1 contained a number of interesting oil and gas shows to its total depth of 2,760 metres, including two areas where gas reached the surface at rates too small to measure during DST testing.

Primero-1 is designed to test these formations with modern air drilling techniques. These deeper target zones are the primary objective of drilling Primero-1.

Drilling operations are set to enter the Reid's Dome Beds below 493 metres.

Air drilling will be applied to the drilling operation into the Reid's Dome Beds from the current depth beginning at 493 metres.

Summary

Encouraging results in the initial stages of Primero-1 have led WSP to begin a thorough review of all existing data available from other wells previously drilled into the Cattle Creek Formation at Reid's Dome. This information will be re-examined with a fresh point of view based on concepts developing from the information obtained at Primero-1.

This review of data will lead to a preliminary assessment of the potential for economically viable development of the Cattle Creek Formation within PL-231. If the assessment is encouraging, then WSP as Operator of the PL-231 joint venture will identify the steps to be taken towards early commercial development.

Commenting on the drilling at Reids Dome, Victoria Petroleum NL's Managing Director John Kopcheff said;

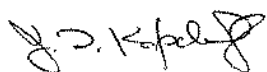
"This initial strong gas flow is encouraging and we look forward to the drilling results from the underlying Reids Dome target sands upon drilling out of casing."

"Vicpet believes the Reids Dome Anticline has the potential to contain a significant gas resource, subject to further drilling results."

"Vicpet is pleased to be a participant in the drilling of Primero-1 on the Reids Dome, where Vicpet has a 40% free carried interest through all drilling, testing and completion costs."

Participants in PL-231 are:

Victoria Petroleum Limited	40%	
White Sands Petroleum Limited	20%	(operator)
Dome Petroleum Resources PLC	40%	



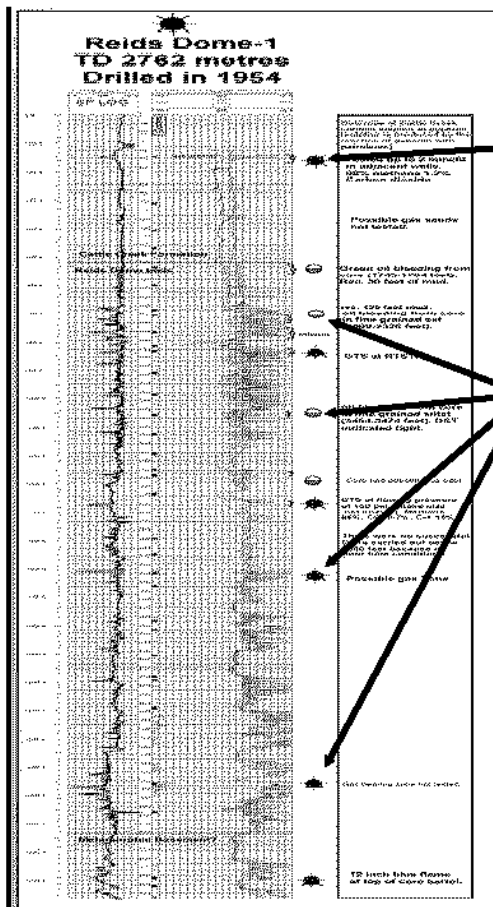
JOHN KOPCHEFF
MANAGING DIRECTOR
VICTORIA PETROLEUM N.L.

Information of this report was completed by the Managing Director of Victoria Petroleum N.L, J T Kopcheff BSc (Hons Eco.Geol), FAIMM, MAAPG, MSPE, MPESA, with 36 years experience in petroleum, geology and geophysics.

***For information on Victoria Petroleum N. L. drilling activities visit our website at
www.vicpet.com.au***



"WSP Primero-1 testing gas at 2.8 million cubic feet per day early morning, July 2006, Bowen Basin, QLD"



REIDS DOME GAS PROJECT

- Same shallow gas zone in Primero-1 flowed 2.8 mill cubic feet per day at 150 metres, July 2006
- Deeper stacked oil & gas shows from 500 to 2700 metres not properly tested 1954 due to hole problems to be drilled in September 2006
- Target of 300 BCF rec. (P10)
- VPE free carried for 40% interest

