



OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT December 2011

Oil Basins Limited (ASX codes **OBL**, **OBLOA** & **OBLOB**) (**OBL** or **Company**) is pleased to present its December 2011 Quarterly Report.

DECEMBER QUARTER OPERATIONS REPORT

Operated Assets Highlights

Carnarvon

- On 12 October 2012, the Company was awarded the R3 Retention Lease renewed as R3/R1 Retention Lease for 5 years – OBL 100%
- On 26 October 2011 confirmed, with its release of the results of its independent petroleum engineering Cyrano Oil Field Scoping Study, an immediate opportunity to pursue a possible preferred development via an Extended Well Test with a modest estimated development cost - using 'fit-for purpose' re-useable leased equipment - of less than USD\$30 million.
- OBL is now seeking farmin partners.

Canning – Backreef Area

- OBL engaged RPS Energy to conduct an Independent Expert Report under strict SPE PRMS Guidelines of the potential prospective resources delineated in the prospects and leads delineated in OBL's interpretation.
- This new independent comprehensive technical review of the Backreef-1 well result and the recent OBL interpretation of the previously assessed New Oil Play within the Backreef Area – OBL 100% beneficial rights – delineated the following:
 - ✓ The Backreef Area could host a significant aggregated undiscovered potential Oil in Place (OIP) volume of between 45.6 to 117 MMbbls with an expectation of 77.7 MMbbls and a mean estimate of 20.6 MMbbls Prospective Resources.
 - ✓ Eight (8) Leads have been independently derived within the southern and south-eastern portions of the Company's Backreef Area.
 - ✓ Four (4) Leads have potential to be larger than the Blina Oil Field which has an initial OIP of circa 5.7 MMbbls (with circa 1.9 MMbbls produced since 1981) and is the largest field so far discovered within this region of the Fitzroy Trough.
 - ✓ Two newly mapped stratigraphic Leads, notably Lead E and Lead F, are potentially with indicative areas greater than 4 km² and a gross recoverable Prospective Resource greater than 5 MMbbls for these two Leads.

Canning – Backreef-1 Production Test

- With the recent successful capital raising completed at the end of January 2012, OBL is now advancing its plans for the Backreef-1 cased hole production test (OBL – 100% beneficial rights) and expects during February 2012 to contract appropriate locally based drilling rig and test equipment.
- Subject to stakeholder approvals (*which are well advanced given circa \$200,000 was essentially spent procuring these in the December quarter*) and good weather conditions onsite, the Company expects this Backreef-1 production test to commence in April 2012.

Canning – Application 5/07-8EP

- The Company reports that quite a number of meetings were held with all stakeholders during the December quarter and the Joint Venture is proactively seeking a finalisation with stakeholders as soon as possible during the current quarter.

The Company is actively seeking farmin interest on both its Canning Basin assets.

Non-Operated Assets Highlights

Gippsland

- During the December quarter, the Vic/P41 joint venture was granted a renewal of the permit for a further 5 years commencing 29 November 2011.
- On 11 November 2011, the company consolidated its position in the Gippsland Basin and acquired a 5% net direct interest in Vic/P41 from farminor Moby Oil & Gas Limited. In addition, since August 2006, OBL has retained rights to a further 7.5% in Vic/P41 from farminor Strategic Energy Resources Limited.
- During the quarter the Vic/P66 joint venture (OBL – 40%) had granted a variation and suspension to the permit. The joint venture varied the current year 3 work program of acquiring 2D seismic data over the permit and replaced it with acquiring 3D seismic. This was then suspended for 12 months to facilitate acquiring the survey in conjunction with the Vic/P41 joint venture. These changes to the permits will result in the two joint ventures expected to acquire a 3D seismic survey over Lead A towards the end of 2012 or early 2013 dependent on availability of a seismic vessel.
- The operator advises that both permits Vic/P41 and Vic/P66 are the subject of farmin reviews and have attracted considerable interest. Whilst no offers have been received to date, evaluation and assessment is continuing.

Capital Raising

At 31 December 2011 the Company had \$287,757 in cash holdings (after incurring significant non-recurring expenditures in its wholly operated Backreef Area). Subsequent to the December quarter, on Monday 30 January 2012, the Company was pleased to announce a Placement of 50 million new OBL ordinary shares at 2.5 cents per share to sophisticated and professional investors raising gross proceeds of \$1.250 million. This share issue used part of the Company's placement capacity, as approved by OBL Shareholders at the Company's recent Annual General Meeting on 29 November 2011.



OIL BASINS LIMITED

Oil Basins Limited (“OBL” or “the Company”), ASX: **OBL**, **OBLOA** & **OBLOB**, is a junior oil and gas company with a portfolio of conventional oil and gas, coal seam gas (**CSG**) and unconventional shale gas (**USG**) exploration projects in good hydrocarbon addresses in offshore Gippsland and Carnarvon Basins and the onshore Canning Basin.

BUSINESS STRATEGY

Since the Company’s initial public offering in August 2006, OBL has built up (at modest cost) an attractive portfolio of exploration projects (all assessed or re-assessed with modern technology), all situated in good hydrocarbon addresses and nearby to existing infrastructure hubs (Figure 1).

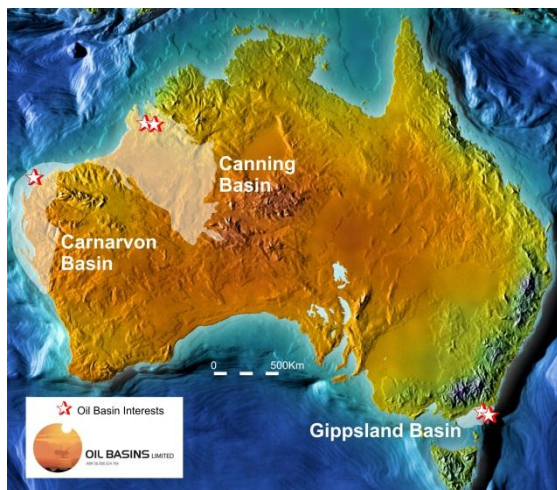


Figure 1
OBL’s Australian Interests

UPSTREAM PROJECTS

Potential Upstream exploration and development projects include:

- ✓ 100% & Operator of Retention Lease R3/R1 situated in offshore Carnarvon Basin (containing the undeveloped Cyrano Oil Field).
- ✓ 100% Beneficial Rights & Operator to Backreef Area (Figure 2) onshore Canning Basin (containing the untested Backreef-1 well, drilled in October 2010 and presently cased & suspended for future re-entry & possible production testing).
- ✓ 5% direct & 12.5% Rights to Vic/P41 situated in offshore Gippsland Basin (six 3D defined drill-ready prospects); Figure 3.
- ✓ 17% Vic/P66 situated in offshore Gippsland Basin.
- ✓ 50% interest in 5/07-8 EP; Figure 2 situated in onshore Canning Basin (where the Company as CSG Operator has recently delineated significant CSG and USG potential).

The Company believes re-rating opportunities presently exist within the established portfolio; viz:

- ✓ Cyrano Oil Field (where the risked P50 Gross Oil in Place has been significantly upgraded from 4.36 MMbbls to 10.13 MMbbls and the preferred development scenario has reduced the development capex from circa \$140m to less than \$30m).
- ✓ Backreef Oil Pool and Backreef Area where recent new work has independently assessed 8 mapped Leads with a combined STOOIP at between 48MMbbls to 117MMbbls – with some net risked expectation P50 assessed at near 21 MMbbls recoverable.
- ✓ The Company has previously delineated a new CSG play in the Canning; and
- ✓ An independent assessment of the Company’s net risked CSG P50 potential prospective resources potential is over 3.5 TCF and also contains a very large unrisked 136 TCF net assessed USG potential.

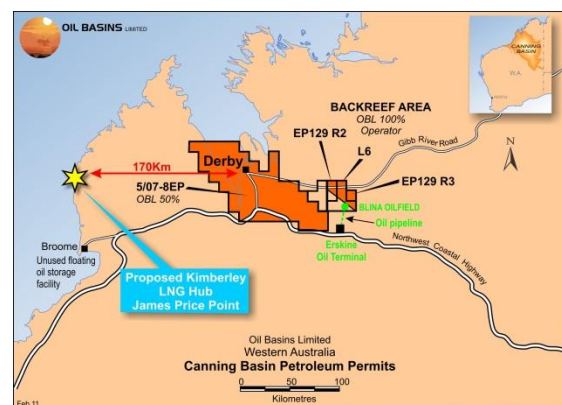


Figure 2
OBL’s Canning Basin Interests

DOWNSTREAM PROJECTS

Potential Downstream projects include:

- Due to the delineation of large CSG / USG potential prospective resources in the Canning, the Company on 9 August, 2010 entered into a Strategic Alliance Agreement (“SAA”) with Liquefied Natural Gas Limited (ASX code **LNG**). The Company’s core focus is also to delineate large volumes of natural gas within its onshore WA Canning acreage.
- Should large quantities of gas be discovered, the SAA Provides a framework to:
 - ✓ Pave the way for the establishment of either CSG or USG sourced liquefied natural gas (**LNG**) plant feedstock supply to a LNG operated facility; and/or
 - ✓ The potential development of a large scale gas to liquids (**GtL**) synthesis plant situated near Derby.
- OBL will have the right, but not obligation, to invest in any such LNG project up to a maximum of 20% on an at-cost basis, however this maximum becomes 30% should OBL deliver certified 2P gas reserves of at least 1.0 TCF (under SPE Guidelines) within 4 years of work programs commencing in the field.



QUARTERLY ACTIVITIES REPORT

GIPPSLAND BASIN – 12.5% Rights Vic/P41

The Company owns (subject to NOPSTA approval – pending) a direct 5% interest and a potentially low cost Drilling Option of a further 7.5% of this strategic drill-ready permit.

Exploration permit Vic/P41 is located on the north eastern margin of the offshore Gippsland Basin, in south-east Australia’s Bass Strait (Figure 3). The permit covers an area of some 1,079 sq km, in water depths of 120-1500m.

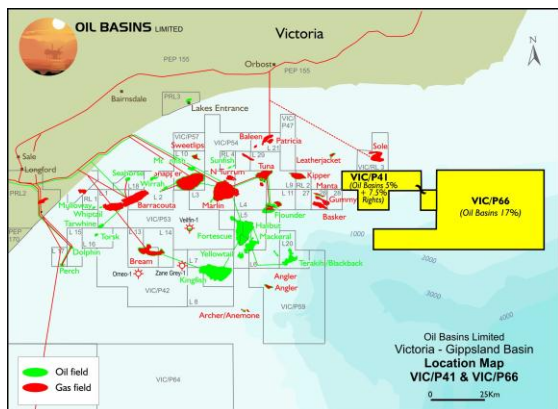


Figure 3

Location of Gippsland Basin permits with OBL equity, including renewed Vic/P41 & Vic/P66

Vic/P41 contains a number of larger prospects defined by modern 3D seismic, notably Kipling, Benchley and Oscar prospects (OBL net share 96MMboe prospective potential 2P resources) and in addition contains the western part of the 2D-defined ‘Lead A’ feature.

Both the Vic/P41 and Vic/P66 JVs have (during 2HY2010) approved a combined Basin Modelling program.

To define further and ‘de-risk’ these opportunities, two new technical studies have been undertaken. A seismic inversion project using both 2D and 3D seismic over the Rosedale trend prospects and leads in Vic/P41 is yielding encouraging results and is expected to lead to a re-assessment of the potential of these features.

The related basin modelling project (jointly funded by Vic/P41 and Vic/P66) has also been successful in defining the nature of hydrocarbon charge in the east Gippsland area. A variation to the permit commitments for Vic/P41 was granted during the quarter. The commitment for the current Year 5 of the permit has been reduced from the drilling of a well to the seismic inversion project and related studies.

Vic/P41 was recently renewed for a Third Term of 5 years from 29 November 2011. The permit is in

in good standing and the Company’s present obligations for 2012 are modest. There is the potential for both the Vic/P41 & Vic/P66 joint ventures in acquiring a 3D seismic survey over Lead A towards the end of 2012 or early 2013 dependent on availability of a seismic vessel.

On 11 November 2011, OBL defended its position on the subsequent permit renewal and was awarded a 5% interest for nil\$ cost.

GIPPSLAND BASIN – 17% Vic/P66

During the December quarter the Designated Authority granted a variation and suspension to the permit. The joint venture varied out the current year 3 work program of acquiring 2D seismic data over the permit and replaced it with acquiring 3D seismic. This was then suspended for 12 months to facilitate acquiring the survey in conjunction with the Vic/P41 joint venture.

CANNING BASIN – 100% BENEFICIAL RIGHTS BACKREEF AREA

During the December quarter OBL RPS undertook a horizon and fault interpretation of the 2D seismic data using Schlumberger Petrel™ seismic interpretation software. The previously recorded seismic data of various vintages were reprocessed from original field data in 2011 by Dayboro Geophysical Pty Ltd. PSDM data (derived from PSTM) was used for interpretation (**Figure 4**). RPS considered the seismic data quality to be generally sufficient to delineate the two primary reservoir intervals (Yellow Drum Formation and Nullara Limestone). However the sparse 2D seismic coverage was not sufficient to detail faults and structural closures with certainty so only Leads were defined.

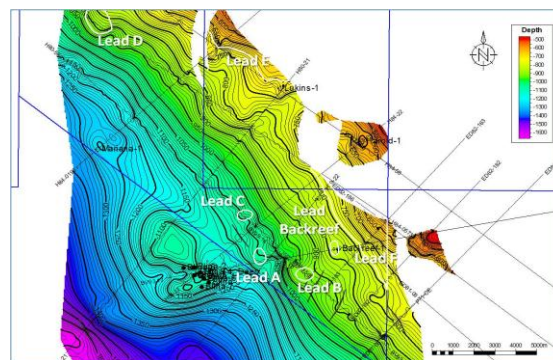


Figure 4

Location of Backreef-1 Lead and 6 of the 7 defined New Leads delineating the Potential New Oil Play within the Backreef Area

- ✓ Using its own assessment of Backreef petrophysics and its own mapping of New Oil Play, RPS has concluded in accordance with strict PRMS guidelines that the Backreef Area could host a significant aggregated undiscovered potential Oil in Place (OIP) volume of between 45.6 to 117 MMbbls with an expectation of 77.7 MMbbls and a mean



- estimate of 20.6 MMbbls Prospective Resources.
- ✓ Eight (8) Leads have been independently derived by RPS within the southern and south-eastern portions of the Company's Backreef Area.
 - ✓ Four (4) Leads have potential to be larger than the Blina Oil Field which has an initial OIP of circa 5.7 MMbbls (with circa 1.9 MMbbls produced since 1981) and is the largest field so far discovered within this region of the Fitzroy Trough).
 - ✓ Two newly mapped stratigraphic Leads, notably Lead E and Lead F, are potentially large with indicative areas greater than 4 km². RPS has delineating a gross recoverable Prospective Resource greater than 5 MMbbls for these two Leads.

Preparations are now advancing rapidly for a production test of Backreef-1 during the June quarter 2012. More information and updates will be released in the current March quarter.

CANNING BASIN – 50% Rights 5/07-8EP

The Company reports that quite a number of meetings were held with all stakeholders during the December quarter and the Joint Venture is proactively seeking a finalisation with stakeholders as soon as possible during the current March quarter.

As previously advised, no significant expenditures are anticipated to occur until approval from all relevant stakeholders and authorities are attained.

CARNARVON BASIN – 100% R3/R1 (Cyrano)

During the December quarter the Company was awarded 100% and Operator of Retention Lease R3/R1, offshore Carnarvon Basin for 5 years from 12 October 2011.

Previously, during 2011, OBL commissioned RPS Energy (leading international reservoir evaluation and economic analysis engineers) to conduct an independent and detailed review of the 3D seismic, examine all relevant discovery and exploration well data to reassess the field. The independent resource evaluation report shows that STOIIP (Stock Tank Oil Initially In Place) as at 1 March 2011 for the two principal combined Mardie Greensand and Airlie Sandstone reservoirs is in total:

MMbbl Oil		
P90	P50	P10
5.42	10.13	18.19

OBL's booked 1C, 2C and 3C contingent resources are now 0.54, 1.52 and 3.64 MMbbls of oil based upon an assumed 15% recovery factor (RPS).

Upon renewal of R3 as R3/R1, the Directors of OBL engaged qualified petroleum consulting experts DU-EL Drilling Services to review all work by the former operator and scope a preferred development scenario. Results were released to the ASX on 23 October, 2012 and concluded:

- ✓ A practical 'new' rapid development hub Extended Well Test ("EWT") concept may lead to greatly improved economics allowing the development of the Cyrano Oil Field within a modest risked capital of circa USD\$30m and with expected capital recovery breakeven estimated within 12 months. The concept is subject to reservoir risk.
- ✓ Oil Basins Limited engaged petroleum engineering project consultants DU-EL Drilling Services Pty Ltd (DU-EL) to review all previous engineering studies and to develop a plan for its possible development as part of the recent Retention Lease R3 / R1 Cyrano Renewal
- ✓ The DU-EL Scoping Study has successfully built upon earlier work by RPS Energy and suggested the new rapid development EWT standalone concept. Capital costs are estimated at some 32% to 40% of the previously estimated uneconomic gross comparable development cost.
- ✓ With further new reservoir simulation studies, the Company has been advised that the potential exists, with well-designed completions and economic short-lived EWTs, to high grade reserves from the circa 1.5 MMbbls 2C reserves already booked on 31 March 2011 to between 2.0 MMbbls and 4.0 MMbbls 2P reserves for Cyrano Oil Field (alone).

CAPITAL STRUCTURE CHANGES

Subsequent to the December quarter, on Monday 30 January 2012, the Company was pleased to announce a Placement of 50 million new OBL ordinary shares at 2.5 cents per share to sophisticated and professional investors raising gross proceeds of \$1.250 million. This share issue used part of the Company's placement capacity, as approved by OBL Shareholders at the Company's recent Annual General Meeting on 29 November 2011. The Placement will ensure the Company is presently funded to advance our planned 2012 exploration program including the production test of Backreef-1, working capital commitments and to pursue additional value creating projects.

Capital Structure	OBL Ord. Shares	OBLOA Options	OBLOB Options
31 Jan.	395,321,780	64,969,244	69,039,768

CASH POSITION

The Company's cash & near cash balance as at 31 December 2011 (adjusted as follows):

Cash at 31 Dec. 2011	\$287,757
Jan 2012 Placement receivable	\$1,250,000
Balance cash & near cash	\$1,537,757

*The Placement receivable is due in full on 1 Feb.

Neil Doyle SPE
Director & CEO
31 January 2012



GLOSSARY & PETROLEUM UNITS

M	Thousand
MM	Million
B	Billion
bbl	Barrel of crude oil (ie 159 litres)
PJ	Peta Joule (1,000 Tera Joules (TJ))
Bcf	Billion cubic feet
Tcf	Trillion cubic feet (ie 1,000 Bcf)
BOE6	Barrel of crude oil equivalent – commonly defined as 1 TJ equates to circa 158 BOE – approximately equivalent to 1 barrel of crude equating to 6,000 Bcf dry methane on an energy equivalent basis
PSTM	Pre-stack time migration – reprocessing method used with seismic.
PSDM	Pre-stack depth migration – reprocessing method used with seismic converting time into depth.
AVO	Amplitude versus Offset, enhancing statistical processing method used with 3D seismic.
TWT	Two-way time
FMT	Formation testing (pressure & sampling) tool
TD	Total depth
GIP	Gas in Place
CSG	Coal seam gas (CSG) or alternatively known as coal seam methane (CSM) is natural gas sourced from coal. Methane = CH ₄ = H-H-C-H-H, which is the same as: conventional gas, landfill gas, peat gas. CSM is produced during the creation of coal from peat. The methane in CSM is adsorbed onto the surface of micropores in the coal. The amount of methane adsorbed increases with pressure. CSM is expelled from the seam over geologic time because coal has the capacity to hold only about a tenth of the methane it produces. Apart from power station applications, high quality methane can be used as a valuable feedstock for petrochemical plants such as urea, ammonia, ammonium nitrate, gas to liquids (diesel) and LNG production
USG	Unconventional shale gas
STOIPP	Stock tank oil in place (stabilized crude at atmospheric conditions) – also commonly referred to as Oil in Place (OIP)

DISCLAIMER – GENERAL

Prospective Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. Investors should not infer that because “prospective resources” are referred to that oil and gas necessarily exist within the prospects. An equally valid outcome in relation to each of the Company’s prospects is that no oil or gas will be discovered.

Technical Reserves in this preliminary assessment are considered similar to the definition of Contingent Resources (ie Low Estimate and High Estimate) with the following important caveat - it must be appreciated that the risked volumes as reported in terms of undeveloped Contingent Resources and Prospective Resources are risk assessed only in the context of applying ‘Geological Chance of Success’. This degree of risk assessment does not incorporate the considerations of economic uncertainty and commerciality and consequently no future development as such can be assured.

The technical information quoted has been compiled and/or assessed by Company Director Mr Neil Doyle (from a number of sources) who is a professional engineer (BEng, MEngSc - Geomechanics) with over 30 years standing and a continuous Member of the Society of Petroleum Engineers since 1981 (SPE 25 Year Club Member) and by Mr Geoff Geary who is a professional geologist (BSc - Geology) with over 27 years standing and who is also a Member of the Petroleum Exploration Society of Australia. Both Mr Doyle and Mr Geary have consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear.

Investors should review the ASX materials and independent expert reports previously quoted and the important definitions and disclaimers attached.

DISCLAIMER – CSG PROSPECTIVITY AND CSG RESOURCES POTENTIAL

There are numerous uncertainties inherent in estimating quantities of prospective and economic CSG resources, including many factors beyond OBL’s control. Estimates of economically recoverable CSG natural gas reserves are based upon a number of factors and assumptions, such as geological and engineering estimates and judgments (which have inherent uncertainties and risks), the assumed effects of governmental regulation and access to the Browse LNG Hub and estimates of future domestic gas and export-LNG commodity prices and operating costs, all of which may vary considerably from actual results and/or future negotiations.

Specifically, no claims are made by BOPL/OBL JVPs, Directors, and their Technical & Independent Consultants as to the CSG / CSM prospectivity of the Canning Basin Permit 5/07-8 EP at this early and preliminary stage. Prospective CSG Resources are those quantities of CSG which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. Investors should not infer that because “prospective resources” are referred to that CSG necessarily exist within the Permit. As this work is preliminary in nature, an equally valid outcome in relation to the CSG Study Area is that no CSG will be discovered, or be in fact commercial.