



OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT DECEMBER 2009

Oil Basins Limited (ASX codes **OBL**, **OBLOA** or **Company**) is pleased to present its December 2009 Quarterly Report.

HIGHLIGHTS

During the December Quarter, the Company reports:

- The Designated Authority approved the deferment of the Vic/P41 Year 4 well commitment by a full year until 10 September 2011 (previously this well was due to be drilled by 10 September, 2010). Effectively results in a significant deferment until calendar year 2011 of Company's 'potential conditional Farmin well obligations' – should OBL elect to complete the Farmins to earn 12.5%.
- Company held strategic Farm-Out / Divestment discussions with respect to both its drill-ready Gippsland and Canning Basin interests. Should any of these ongoing discussions lead to a successful farmout or a partial divestment of the Company's Rights on acceptable terms, OBL will make an immediate announcement to the ASX.
- Revised and extended the Terms Sheet for the Canning Basin Oil Limited Redeemable Preference Shares to enable a partial funding of the Backreef-1 well to be effected by this unique Offer.
- Initiated an assessment of the coal seam gas (**CSG**) prospectivity potential of its large 50% Canning Basin permit EP5/07-8, strategically situated near the proposed Browse LNG Hub. Company believes that this is possibly the first such CSG assessment conducted of the extensive shallow thermal coal measures known to be situated within this region of the Fitzroy Trough. Preliminary results are expected in March / April 2010.
- Successfully raised gross \$400,000 (before expenses of the issue) via a Placement of 20.0 million new OBL ordinary shares issued at a price of 2 cents per share, with a free one for two attaching ASX listed OBLOA option (exercisable at 1.5 cents on or before 30 June 2012). This capital raising was made to exempt and sophisticated investors, compliant under s708 Corporations Act and was supported by clients of four brokers.
- At the end of the Quarter, OBL successfully re-negotiated extensions of the earlier highly conditional back-to-back Farmin Option Heads of Agreements with Operator Backreef Oil Limited with respect to two Canning Basin permits (subject to the usual stakeholder and regulatory approvals). In the case of Backreef Area, the extension is effectively until funding of Backreef-1 is finalised – OBL Group Rights are now effectively 90% over the Backreef Area.
- OBL remains a low overhead oil and gas explorer and with end of Quarter net cash of circa \$0.48 million, available working capital is deemed adequate to fund the Company's ongoing 2010 calendar year working capital commitments and permit the Company to pursue additional future growth and attractive investment opportunities (as may arise).

COMPANY'S EXPLORATION INTERESTS

OBL holds rights to or interests in a portfolio of attractive drill-ready exploration assets. This portfolio includes three (3) offshore and three (3) onshore petroleum exploration permits in Australia (**Figure 1**), as follows:

- 12.5% Rights to Vic/P41 situated in offshore Gippsland Basin,
- 17% interest in Vic/P66 situated in offshore Gippsland Basin,
- 80% Rights to Backreef Area, onshore Canning Basin,
- 20% Rights to DR9 situated in onshore Canning Basin,
- 50% interest in EP5/07-8 situated in onshore Canning Basin (exploration assessment activities recently expanded by OBL to cover both petroleum and coal seam gas / unconventional gas prospectivity), and
- 25% interest in R3 situated in offshore Carnarvon Basin hosting the Cyrano Oil Field.

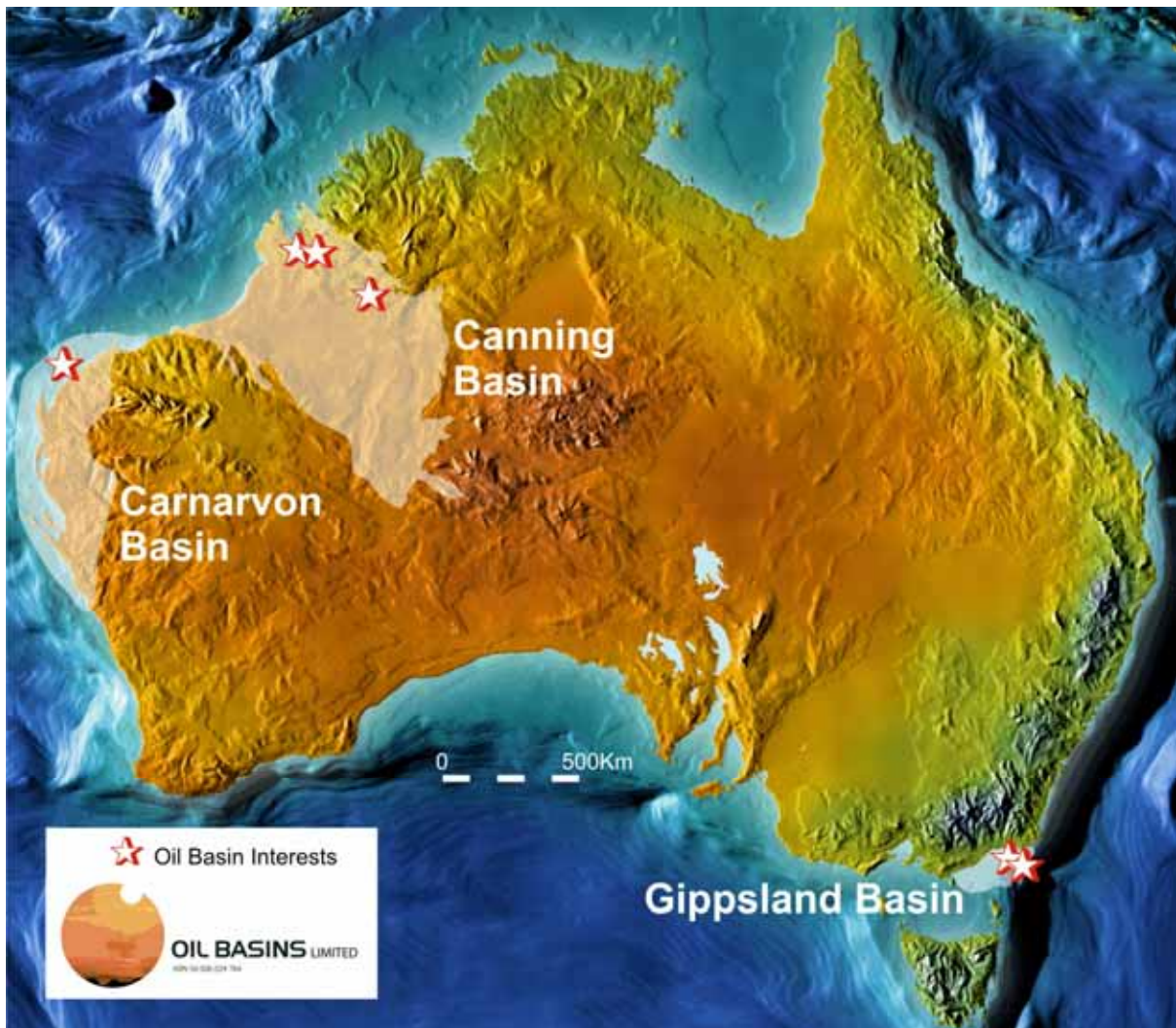


Figure 1
Oil Basins Exploration Interests

A. EXPLORATION ACTIVITIES

GIPPSLAND BASIN

PERMIT VIC/P41

Ownership (OBL - Rights to 12.5%)

With the deferment of the previous Year 4 Work Program well commitment (previously due to be drilled by 10 September, 2010) now postponed, with approval of the Designated Authority, until to Year 5 – the decision by OBL to elect to commit to funding the Farmin has now been effectively delayed by a year.

Consequently no well is now required until 10 September 2011 (refer to BAS ASX Release dated 16 October 2009). This permit is presently in very good standing and Company revised obligations for 2009/2010 are relatively modest by industry standards.

Notwithstanding the significant postponement in OBL's potential conditional Farmin Rights* and election decision; during the December Quarter the Company continues to hold confidential discussions with interested Third Parties with respect to a partial divestment of OBL's Rights to Vic/P41.

OBL maintains that overall this attractive 'gas prospective' permit strategically situated approximately half way between Melbourne and Sydney may have considerable appeal to utilities seeking independent peak gas energy supply under the Federal Government's proposed carbon emission reduction legislation.

**Note OBL has the right but not the obligation to maintain its 12.5% interest by way of completion of its Farmin promote and may partially divest its rights in any transaction with a Third Party.*

Investors should note that OBL's holding costs of its Rights to 12.5% in Vic/P41 amount to circa \$1.35 million. When combined with current semisubmersible rig rates (well cost circa A\$30 million) and the commencement of prorated payments over A\$13 million with farminors Strategic Energy Resources Limited (7.5%) and Moby Oil & Gas Limited (5%) – it should be noted that OBL's proposed farmin is effectively equivalent or less than the usual industry standard of 2 for 1 promote.

The Company effectively holds a potentially low cost Drilling Option of upto 12.5% of this strategic drill-ready permit.

PERMIT VIC/P66

Ownership (OBL – 17%)

Update

During the Quarter, a Joint Venture Meeting was held where the Vic/P66 Joint Venture Operating Agreement was formally executed by all parties and the Operator reviewed the vintage data collection and preliminary assessment of the prospectivity of the permit.

Company obligations for 2009/2010 are relatively modest by industry standards.

CANNING BASIN

RESTRUCTURING OF OBL'S INTERESTS IN BACKREEF AREA & DR9

On 17 August 2009, the Company announced it had entered into a series of conditional Heads of Agreement ('HoA') with joint venture partner and Operator Backreef Oil Limited ('BOL') which may

lead to early drilling of both the Backreef Prospect, Backreef Area and the Emika Prospect, Drilling Reservation 9 ('DR9'), Canning Basin.

As part of this restructuring, the OBL Group attained exclusive rights from BOL to obtain a further 10% beneficial interest right in the Backreef Area and to Farm-in to DR9 for up to 53%.

OBL has via back-to back HoAs (which have also been executed by BOL) now conditionally assigned these rights to its wholly owned subsidiary Canning Basin Oil Limited ('CBO') – *formerly OBL Backreef No.15 Pty Ltd.*

Potential Impact of these Agreements upon OBL

(a) Increase in potential stakes in Backreef Area and DR9:

The OBL Group has increased its potential interest in the Backreef Area to 90%:

Permit	Backreef Area (EP 129 R2&R3 and L6)
Earning Interest	90% beneficial rights
Gross Target Size	270 MMbbl (median case for oil)
Gross Target Size	500 BCF (median case for gas)
Total Depth	1,500 to 1,800 metres (proposed TD)
Seismic Grid	Sparse 2 lines reprocessed with PSTM and PSDM and seismic inversion
Nearest Oilfield	Blina – approximately 4.5 km due west
Prospect Style	Stratigraphic Trap – submarine clastic (sandstone) fan play

The OBL Group has increased its potential interest in DR9 to 53%:

Permit	DR 9
Earning Interest	53% direct
Gross Target Size	107 MMbbl (median case)
Gross Target Size	330 BCF (median case)
Total Depth	1,500 to 1,800 metres (proposed TD)
Seismic Grid	1.5km x 2.5km - all lines reprocessed with PSTM and PSDM
Nearest Oil Show	Cycas-1 – 20km northwest
Prospect Style	Conventional 4 way dip anticlinal closure clastic (sandstone) reservoir

(b) Increased flexibility in possible funding arrangements:

By these new commercial agreements, OBL has effectively now engineered three ways of funding Backreef-1 and this flexibility has now been extended to Emika-1.

As previously advised, the three ways are:

- Secure a conventional farmout to a third party for direct interests in either prospect;
- Sale of 100% of the shares in CBO (with Farm-ins as previously negotiated); and
- CBO raises the necessary funding itself (with Farm-ins as described above), **refer to Section B – Proposed Capital Raising by Canning Basin Oil Limited.**

As previously advised to Shareholders, as the net impact upon OBL is almost identical the Company is almost indifferent as to which method succeeds.

OBL continues to pursue as a high priority either farmout and/or partial divestment of its 90% Group holding in Backreef Area as its priority in funding Backreef-1.

Should any of these discussions lead to a successful farmout, or partial divestment of the Company's Rights on acceptable terms, OBL will make an immediate announcement to the ASX.

Extension of HoA Option Agreements

On 24 December 2009, both OBL and BOL reached an agreement to amend and extend the previously executed HoAs on mutually agreeable confidential terms – whereby the previous Farmin option for Backreef Area is extended exclusively to OBL and/or nominees (until OBL elects to commit to the drilling of the Backreef-1 well), whilst the previous Farmin option for DR9 is now non-exclusive to OBL and/or nominees (until BOL elects to commit to fund and drill the Emika-1 well).

Effectively the OBL Group has a zero cost option to a further 10% by agreeing to fund 100% of the Backreef-1 well.

All other previously contemplated Farmin parameters remain and any Farmin will be subject the usual stakeholder consents.

PERMIT 5/07-8 EP

Ownership (OBL - 50%)

The Operator has advised that during the last Quarter planned meetings were held in December with respect to finalisation of Aboriginal Heritage issues with the relevant stakeholders.

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

Assessment of Coal Seam Gas (CSG) Potential

As permitted under the *WA Petroleum and Geothermal Energy Resources Act (1967)*, upon this Permit being formally assigned to BOL / OBL, the JVPs in addition to holding the conventional petroleum exploration rights, BOL / OBL will also be deemed to hold 50/50 of the previously unconsidered and potentially now attractive, coal seam gas (CSG) rights [*or also commonly also referred to as coal seam methane (CSM) rights*] and unconventional gas rights (potential may also exist for a shallow shale gas project) within this block.

Whilst no significant work will be undertaken or contemplated until all of these formal approvals are fully finalised, OBL on behalf of the 5/07-8 EP JV, has initiated an independent “desktop” geological assessment of the coal measures likely to be contained within the Permit 5/07-8 EP, as part of preliminary work to assess the CSG potential of the permit (*refer to OBL ASX Announcement dated 16 December 2009 – summarised as follows*). All key stakeholders will be kept fully informed of the preliminary outcome of the assessment.

This CSG assessment is understood to be a first for the CSM Study Area (**Figure 2**) within the Fitzroy Trough, Canning Basin, and represents a potential significant first move advantage for the 5/07-8 EP JV.

Earlier exploration / development of Canning Basin focused specifically upon gas resources has been mitigated in the past by high risk exploration / appraisal and the lack of domestic infrastructure and pipelines to southern bulk user markets.

Since the provisional award of this Permit two years ago, a number of previously unconsidered highly significant events relating to CSG productivity and the recent announcement of a future LNG export infrastructure have subsequently occurred, which when considered together, may now strategically impact upon the attractiveness of investigating the merits of a future CSG development in the Canning.

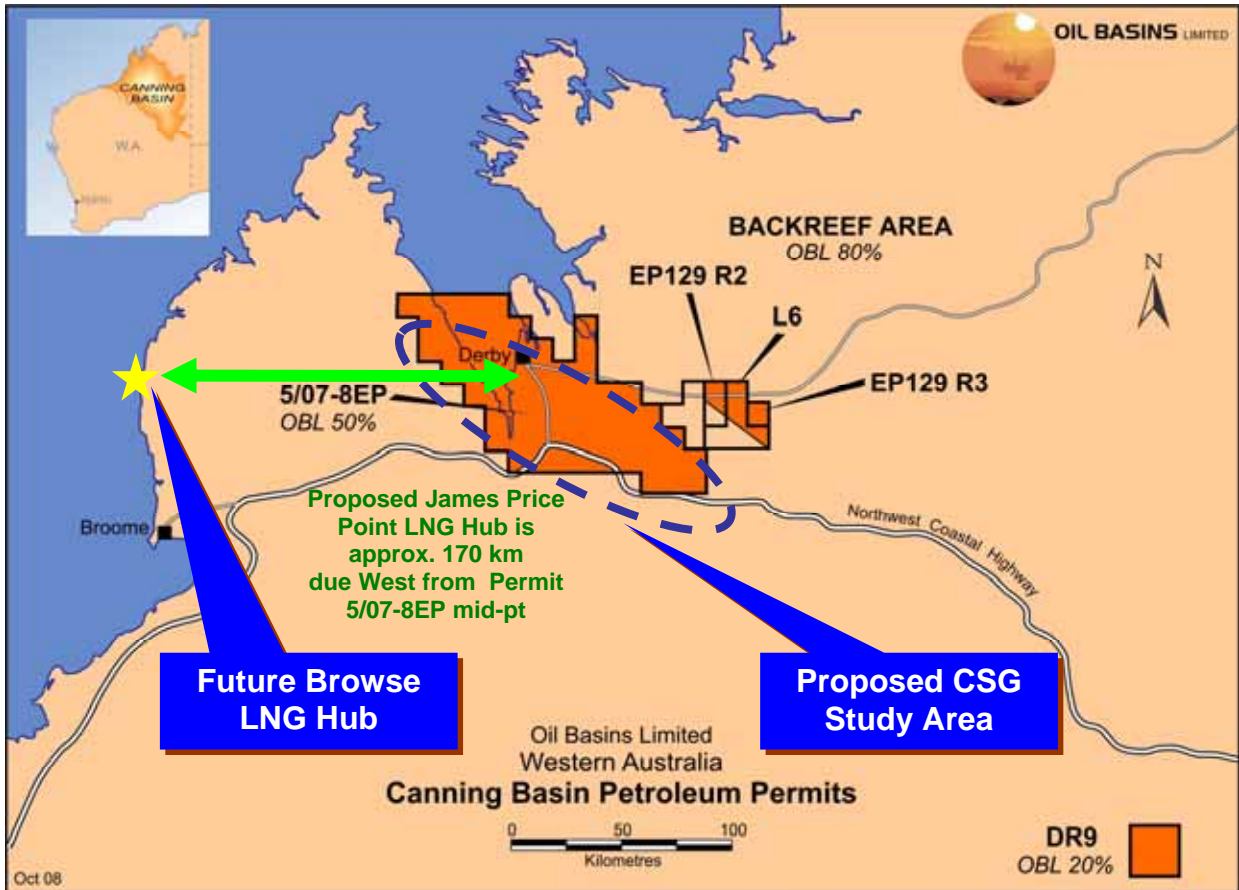


Figure 2
Oil Basins Limited's Canning Basin CSG Study Area

Commissioning of an Independent Expert Report

To assist this preliminary assessment, OBL has engaged Dierdre Westblade, Principal, Westby Consulting Pty Ltd, to conduct an Independent Expert Geologist Report to assess the delineated coal measures within Permit 5/07-8 EP, Canning Basin, Western Australia as an important first step to overall CSG prospectivity.

This preliminary assessment is expected to be complete during April 2010 and subject to these findings maybe used as important source material for further specialist independent CSG expert geological assessment.

Westby Consulting Pty Ltd is a leading Perth based authority on coal mineral geology and regional coal exploration within Western Australia and has conducted a number of independent and geological assessments of the majority of WA's coal basins for coal exploration and development companies.

The CSG Study Area is particularly well situated in relatively flat terrain, close to the provincial WA township of Derby and well accessed by all weather highways.

CARNARVON BASIN

RETENTION LEASE R3

Ownership (OBL - 25%)

A joint venture meeting was held in early September to review last years and current Permit year's work program which remains focussed on geological and geophysical studies.

Company obligations for 2009/2010 are relatively modest by industry standards with a one-off \$20,000 presently being funded by OBL during January 2010 (representing the previously unbilled 2008/2009 Year 3 R3 JV cash call). A similar amount has been budgeted by OBL for the next quarter representing the 2009/2010 Year 4 R3 JV cash call (again relatively modest by industry standards).

B. PROPOSED CAPITAL RAISING BY CANNING BASIN OIL LIMITED

An investment in "OilCans" – Redeemable Preference Shares in Canning Basin Oil Limited

This is a unique opportunity for suitably qualified Exempt or Sophisticated investors to invest in unlisted Canning Basin Oil Limited ("**CBO**") which subject to conditional funding being fulfilled, the normal stakeholder and regulatory approvals, CBO will, with the Amendment and Extension detailed below, effectively Farm-In upto a 25% interest in both Backreef-1 and possibly Emika-1 wells (later conditional upon the maximum funding being attained).

Note: Offer is only open to Exempt and/or Sophisticated investors within section 708(8) or section 708(10) of the Corporations Act 2001 (Cth).



An investment in "Backreef OilCans"



Amendment and Extension of CBO Offer to Exempt and Sophisticated Investors

The original CBO Offer timetable was, with revision extended to 1 December 2009. Encouraged by the soundings of successful CBO Applicants and potential Applicants who remained keen to participate in this Offer, OBL revised the Offer Terms Sheet contained within the CBO IM Booklet thereby reducing the net interest of CBO to 5%, as permitted under the Backreef Area Settlement Deed (subject to the usual regulatory and stakeholder approvals and consents).

The key impact of these revisions are that OBL will now seek (subject to formal stakeholder approval to the transfer as permitted in the Backreef Area Settlement Deed) to re-arrange the ownership of its Group's interest in the Backreef Area – whereby CBO will reassign a portion of its interest in the Backreef Area back to OBL or OBL Group nominee (upon finalisation of the CBO Offer).

Importantly, all investment metrics ratios as described under the original CBO Offer IM remain for both existing and future CBO Applicants (**Schedule A**); refer to OBL ASX Release dated 8 December 2009, (Revised Term Sheet summarised as follows):

REVISED OFFER TERMS SHEET:

- Minimum Application A\$2,000 (as previously advised on 1 October 2009);
- Minimum CBO Raising A\$650,000 – corresponding to a 5% held by CBO and a 5% NPI being duly assigned to CBO Applicants.
- Basic CBO Raising A\$3,450,000 – corresponding to a 25% held by CBO and a 25% NPI being duly assigned to CBO Applicants.
- Subject to OBL either farming out Backreef-1 so as the well is fully funded to \$2.5 million and/or OBL raising the balance in conventional equity funding (in either case no later than 31 March 2010 – but in the case of funding of Backreef-1 can be extended at the discretion of OBL directors), CBO Applicants funds will be held in escrow until either event is completed or returned in full within 5 days of this date.
- Minimum and Basic Application of funds are as per Schedule B and prorata thereafter upto Basic CBO Raising.
- All other agreements, definitions and representations as contained in the CBO IM remain, with the likely earliest drilling date of Backreef-1 late in June Quarter 2010.
- In the event of a commercial discovery, OBL will carry CBO on all prorata costs a second well in the Backreef Area.
- All successful qualified CBO Applicants will be contacted individually within 5 days to advise them of these changes.

**Schedule A – refer to Canning Basin Oil Limited – Information Memorandum
www.canningbasinoil.com.au**

INVESTOR'S APPLICATION CASE 1. [BASIC RAISING \$3.5M] Dollars Subscribed.	INVESTOR'S POTENTIAL SHARE Effective Net % NPI BACKREEF AREA "Backreef Oil Cans"	INVESTOR'S POTENTIAL SHARE Net Prospective Potential Resources			INVESTOR'S POTENTIAL SHARE Potential Value of a Discovery*		
		Low Case	Medium Case	High Case	Low Case	Medium Case	High Case
		MMbbls	MMbbls	MMbbls	\$M	\$M	\$M
\$2,000 MINIMUM.	0.014%	0.020	0.039	0.048	\$0.10	\$0.19	\$0.24
\$3,000	0.022%	0.030	0.058	0.072	\$0.15	\$0.29	\$0.36
\$4,000	0.029%	0.040	0.077	0.096	\$0.20	\$0.39	\$0.48
\$5,000	0.036%	0.050	0.096	0.120	\$0.25	\$0.48	\$0.60
\$6,000	0.043%	0.060	0.116	0.144	\$0.30	\$0.58	\$0.72
\$7,000	0.050%	0.071	0.135	0.169	\$0.35	\$0.68	\$0.84
\$8,000	0.058%	0.081	0.154	0.193	\$0.40	\$0.77	\$0.96
\$9,000	0.065%	0.091	0.174	0.217	\$0.45	\$0.87	\$1.08
\$10,000	0.071%	0.101	0.193	0.241	\$0.50	\$0.96	\$1.20
\$11,000	0.079%	0.111	0.212	0.265	\$0.55	\$1.06	\$1.32
\$12,000	0.086%	0.121	0.231	0.289	\$0.60	\$1.16	\$1.44
\$13,000	0.093%	0.131	0.251	0.313	\$0.65	\$1.25	\$1.56
\$14,000	0.100%	0.141	0.270	0.337	\$0.71	\$1.35	\$1.69
\$15,000	0.107%	0.151	0.289	0.361	\$0.76	\$1.45	\$1.81
\$16,000	0.114%	0.161	0.309	0.385	\$0.81	\$1.54	\$1.93
\$17,000	0.121%	0.171	0.328	0.409	\$0.86	\$1.64	\$2.05
\$18,000	0.129%	0.181	0.347	0.433	\$0.91	\$1.74	\$2.17
\$19,000	0.136%	0.191	0.366	0.457	\$0.96	\$1.83	\$2.29
\$20,000	0.143%	0.201	0.386	0.481	\$1.01	\$1.93	\$2.41
\$25,000	0.179%	0.252	0.482	0.602	\$1.26	\$2.41	\$3.01
\$30,000	0.214%	0.302	0.579	0.722	\$1.51	\$2.89	\$3.61
\$35,000	0.250%	0.353	0.675	0.843	\$1.76	\$3.38	\$4.21
\$40,000	0.286%	0.403	0.771	0.963	\$2.01	\$3.86	\$4.81
\$45,000	0.321%	0.453	0.868	1.083	\$2.27	\$4.34	\$5.42
\$50,000	0.357%	0.504	0.964	1.204	\$2.52	\$4.82	\$6.02
\$75,000	0.536%	0.755	1.446	1.805	\$3.78	\$7.23	\$9.03
\$100,000	0.714%	1.007	1.929	2.407	\$5.04	\$9.64	\$12.04
\$150,000	1.071%	1.511	2.893	3.611	\$7.55	\$14.46	\$18.05
\$200,000	1.429%	2.014	3.857	4.814	\$10.07	\$19.29	\$24.07
\$250,000	1.786%	2.518	4.821	6.018	\$12.59	\$24.11	\$30.09
\$350,000	2.500%	3.525	6.750	8.425	\$17.63	\$33.75	\$42.13
\$500,000	3.571%	5.036	9.643	12.036	\$25.18	\$48.21	\$60.18
\$750,000	5.357%	7.554	14.464	18.054	\$37.77	\$72.32	\$90.27
\$1,000,000	7.143%	10.071	19.286	24.071	\$50.36	\$96.43	\$120.36
\$1,500,000	10.714%	15.107	28.929	36.107	\$75.54	\$144.64	\$180.54
\$2,000,000	14.286%	20.143	38.571	48.143	\$100.71	\$192.86	\$240.71
\$2,500,000	17.857%	25.179	48.214	60.179	\$125.89	\$241.07	\$300.89
\$3,000,000	21.429%	30.214	57.857	72.214	\$151.07	\$289.29	\$361.07
\$3,500,000 MAXIMUM.	25.000%	35.250	67.500	84.250	\$176.25	\$337.50	\$421.25

* Valuation assumes modest A\$5.00/bbl in ground pre-field development value

The revised minimum amount so raised will now be reduced to \$0.65 million (ie CBO Applicants will upon commercial success of Backreef-1 then hold – net 5% NPI Backreef Area), and the revised final amount so raised will now be a prorata ratio to the previous Basic Offer of \$3.50 million (i.e CBO Applicants will upon commercial success of Backreef-1 then hold – net 25% NPI Backreef Area) – refer to Schedule B.

Schedule B
(refer to page 28, CBO IM)

	REVISED MINIMUM A\$	BASIC AMOUNT A\$
CBO Offer	\$650,000	\$3,450,000
<i>less</i>		
Broker Fees plus GST (maximum estimate)	\$42,900	\$227,700
Drilling Cost via Conditional Farmin	\$500,000	\$2,500,000
Backcosts/Management & Legal Fees (adjusted)	<u>\$97,000</u>	<u>\$550,000</u>
Sub-total	\$639,900	\$3,227,700
Unallocated funds	<u>\$11,100</u>	<u>\$172,300</u>
	\$650,000	\$3,450,000

Note:

CBO's interest may become more than 5% but less than 25% (as permitted under the Backreef Area Settlement Deed), such that investors achieve the same beneficial interest per dollar invested, that OBL reserves the right to close the Offer at will, that its completion will be subject to alternative funding by OBL of the balance of the drilling cost (if any) and that subscribers prior to the addendum are being offered a refund or to continue on the new terms.

C. CAPITAL RAISING

At the end of the Quarter, OBL successfully raised gross \$400,000 (before expenses of the issue) via a Placement of 20.0 million new OBL ordinary shares issued at a price of 2 cents per share, with a free one (1) for two (2) attaching ASX listed OBLOA option (exercisable at 1.5 cents on or before 30 June 2012).

This capital raising was completed under the expanded 35.0 million Placement capacity approved by OBL Shareholders at the Annual General Meeting held on 25 November, 2009, was effectively completed on 31 December 2009, was made to Exempt and sophisticated investors, compliant under s708 Corporations Law and was supported by clients of four brokers. The unlisted directors and management options were also approved at this AGM.

CAPITAL STRUCTURE POST – DECEMBER 2009 PLACEMENT

OBL Capital Structure	Ordinary Shares OBL	Listed Options OBLOA @ 1.5 cents 30 June 2012	Unlisted Directors & Management Options @ 4 cents 30 June 2014
Previous Issued Capital	99,292,768	55,127,087	36,000,000
Completed Placement @ 2 cents	20,000,000	10,000,000	
New Issued Capital	119,292,768	65,127,087	36,000,000

D. CASH POSTION

Cash held at 31 December 2009 was circa \$0.48 million and the Company has no significant creditors or liabilities forecast for 2010.

OBL remains a low overhead oil and gas explorer and with end of Quarter net cash of circa \$0.48 million, available working capital is adequate to fund the Company's ongoing 2010 calendar year actual working capital commitments and permit the Company to pursue additional future growth and attractive investment opportunities.

This Quarterly Report will be available on the Company's website www.oilbasins.com.au

18 January 2010

ABOUT OIL BASINS LIMITED

Oil Basins Limited (**ASX codes OBL & OBLOA**) is an ASX listed E&P junior and highly leveraged development company, founded in mid-2006 and lead by a highly experienced team of energy professionals with a fairly unique skills set combining:

- Energy sector investment banking (capital raising/project financing, acquisition & divestment and corporate mergers & acquisitions and production hedges/swaps and derivatives).
- Comprehensive operational experience in all facets of upstream and downstream energy sectors – upstream includes all facets of offshore (platform, subsea and FPSO) and onshore oil and gas developments – downstream includes LPG, LNG, CNG, GtL and power generation.
- Key focus areas are Australia, New Zealand, Papua New Guinea and Indonesia where OBL has particular in-house strengths and the experience and skills set to conduct Basins Studies.
- OBL regularly screens new acreage and farmin opportunities and is presently reviewing production acquisition opportunities.
- After conducting its own inhouse technical peer reviews and commissioning Independent Expert Geologist Reports, OBL is presently focusing on farming out all of its acreage interests in the Gippsland, Canning and Carnarvon Basins.

DIRECTORS & MANAGEMENT

Kim McGrath	Non Executive Chairman
Neil Doyle SPE	Non Executive Director
Nigel Harvey	Non Executive Director

Melanie Leydin CA	Company Secretary
Geoff Geary PESA	Technical Consultant

WEBSITES

www.oilbasins.com.au

www.canningbasinoil.com.au

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 note the ASX materials previously quoted and the important definitions and disclaimers attached.

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
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.

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 BOL / 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.