



# OIL BASINS LIMITED

ABN 56 006 024 764

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## QUARTERLY REPORT MARCH 2009

Oil Basins Limited (ASX codes **OBL**, **OBLOA** or **Company**) is pleased to present its March 2010 Quarterly Report.

### HIGHLIGHTS

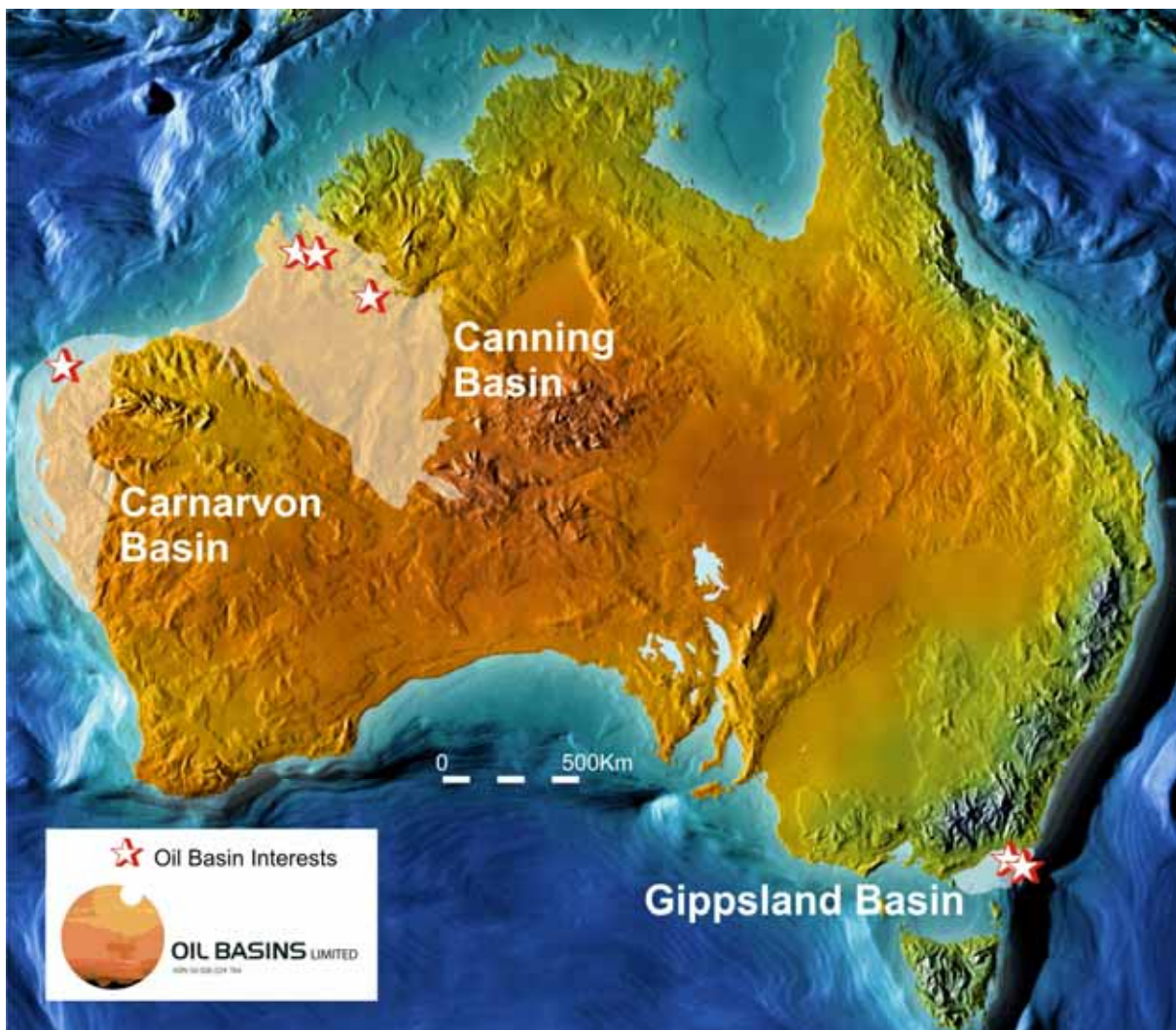
During the March Quarter, the Company reports:

- OBL continues to hold strategic Farm-Out / Divestment discussions with respect to both its drill-ready Gippsland and Canning Basin interests (including the CSG potential which has been recognised within the Backreef Area and 5/07-8 EP). 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. In addition, recently OBL was appointed agent on behalf of the Vic/P41 joint venture for Managing the Farm-Out.
- It closed the Canning Basin Oil Limited (**CBO**) Redeemable Preference Share Offer on 31 March 2010 and recently during April 2010 completed a Special Placement to CBO Applicants to convert to OBL scrip. This conversion successfully raised gross \$92,500 (before expenses of the issue) via a Placement of 2.312 million new OBL ordinary shares issued at a price of 4 cents per share, with a free one for four attaching ASX listed OBLOA option (exercisable at 1.5 cents on or before 30 June 2012). This capital raising was made to valid CBO Applicants who were either exempt or sophisticated investors, compliant under s708 Corporations Act.
- In the previous quarter the Company initiated an assessment of the coal seam gas (**CSG**) prospectivity potential of its large 50% Canning Basin permit 5/07-8 EP, strategically situated near the proposed Browse LNG Hub. This study is ongoing. During the quarter OBL was appointed CSG Operator Designate for this permit. The extensive data collection of all previous and relevant regional coal mineral exploration, over 200 water bore data and some 50 petroleum wells was completed in mid-April. Whilst the data is presently being reviewed and analysed by OBL's appointed geological coal expert, preliminary results are encouraging with respect to CSG prospectivity, as indications suggest that the permit contains a significant Permian age thermal coal resource with coalbeds having favourable settings conducive to potential gas generation.
- During the quarter, the CSG Study Area was expanded to include the nearby Backreef Area and in addition an independent CSG expert has been appointed by OBL to assess the information obtained by the independent coal expert. In addition the prognosed Backreef-1 has been re-assessed and is likely to be now drilled with three objectives, shallow CSG, deeper and significant unconventional Shale Gas potential (as evidenced by the previous seismic inversion assessment) and the previously delineated Clanmeyer sandstone primary reservoir target.
- During the quarter, OBL established a new Papua New Guinea (**PNG**) registered public company subsidiary Wantok Oil Limited to seek attractive investment and exploration / development opportunities in PNG on behalf of OBL.
- OBL remains a low overhead oil and gas explorer and with end of Quarter net cash of circa \$0.40 million, available working capital is deemed adequate to fund the Company's ongoing 2010 calendar year working capital commitments and permits the Company to pursue additional future growth and attractive investment opportunities.

## 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,
- 90% Rights to Backreef Area, onshore Canning Basin (note Rights have increased to 90%),
- Nil% Rights to DR9 situated in onshore Canning Basin (20% Farmin at OBL's discretion),
- 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), this large Permit also has conventional oil and gas prospectivity.
- In addition CSG studies are being pursued in the both Backreef Area and EP5/07-8, 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 upto 12.5%)

##### Update

During the quarter geological and geophysical studies continue with work likely increasing during the next quarter.

The Company is pleased to advise that as a result of the Vic/P41 Joint Venture Meeting held on 28 April 2010, OBL was appointed agent on behalf of the Vic/P41 joint venture for Managing the Farm-Out.

Broad information of the key exploration attributes of this Farm-In opportunity will be presented in a separate ASX Announcement and duly qualified Exploration & Production Companies or International Independents seeking an attractive strategic investment in one of Australia's premier hydrocarbon provinces should contact OBL directly

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

Recently, on 22 April 2010, Esso Australia, an ExxonMobil subsidiary, reported that they had encountered oil and gas at the **South East Remora-1** exploration wildcat well. Located 35 km off the Victorian coast in Bass Strait and 3 km north of the Marlin Platform, the well was drilled in 57 metres of water to a total depth of 3,602 metres below sea level, the wildcat discovered oil and gas in the Latrobe and Golden Beach groups in the Gippsland Basin. The well is included in the Gippsland Basin Joint Venture between Esso Australia Resources (50%, operator) and BHP Billiton Petroleum (Bass Strait) (50%). Data analysis and additional studies are being conducted to evaluate the discovery.

***The importance of the South East Remora-1 discovery is that it has been made on the downthrown side of the Rosedale Fault – due West to but on a similar geological setting to the Vic/P41 Kipling/Benchley Prospects and the nearby Kipper Gasfield. Verifying and derisking the Rosedale Fault play type prognosed by the Vic/P41 JVPs.***

#### PERMIT VIC/P66

Ownership (OBL – 17%)

##### Update

During the quarter geological and geophysical studies continue.

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

## CANNING BASIN

### BACKREEF AREA

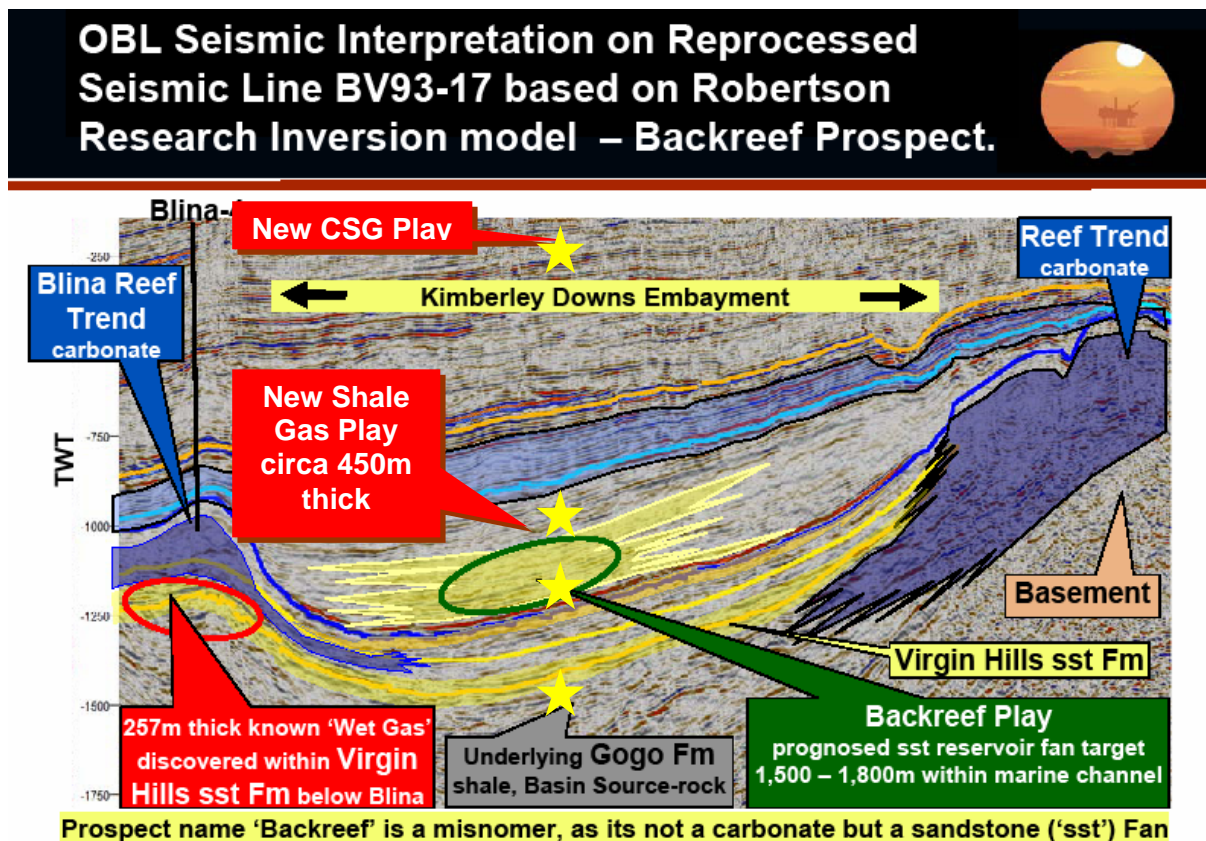
**Ownership** The OBL Group has conditional Rights in the Backreef Area to 90%:

#### Update

During the quarter OBL has focused upon:

- Presenting the Farm-In opportunity to third parties – at the time of this report negotiations continue with a number of interested parties.
- The ongoing CSG Study Area was expanded to include the nearby Backreef Area, and
- In addition the prognosed Backreef-1 is presently being reviewed and re-assessed and is likely to be now be drilled with three objectives, (i) shallow CSG\*, (ii) deeper and potentially significant unconventional Shale Gas potential (as evidenced by the previous seismic inversion assessment and deeper well known underlying Gogo shale formation source rock) and (iii) the previously delineated Clanmeyer sandstone primary reservoir target. (refer to preliminary assessment depicted in **Figure 2**)

Note\* A preliminary assessment of the Backreef Area indicates that Backreef-1 is unlikely to be positioned optimally for CSG prospectivity (**see Westby Consulting assessment**) but nonetheless is expected to have a shallow coal measure (suitable for coring and preliminary assessment purposes only). More information of these three plays will be the subject of a further ASX Announcement when this geological review and re-assessment is complete.



**Figure 2**

*Preliminary re-assessment of Backreef-1 (schematic only showing shallow and deep Plays)*

## DR9

**Ownership** The OBL Group presently holds a nil% interest – but can elect to increase to 20%.

### Update

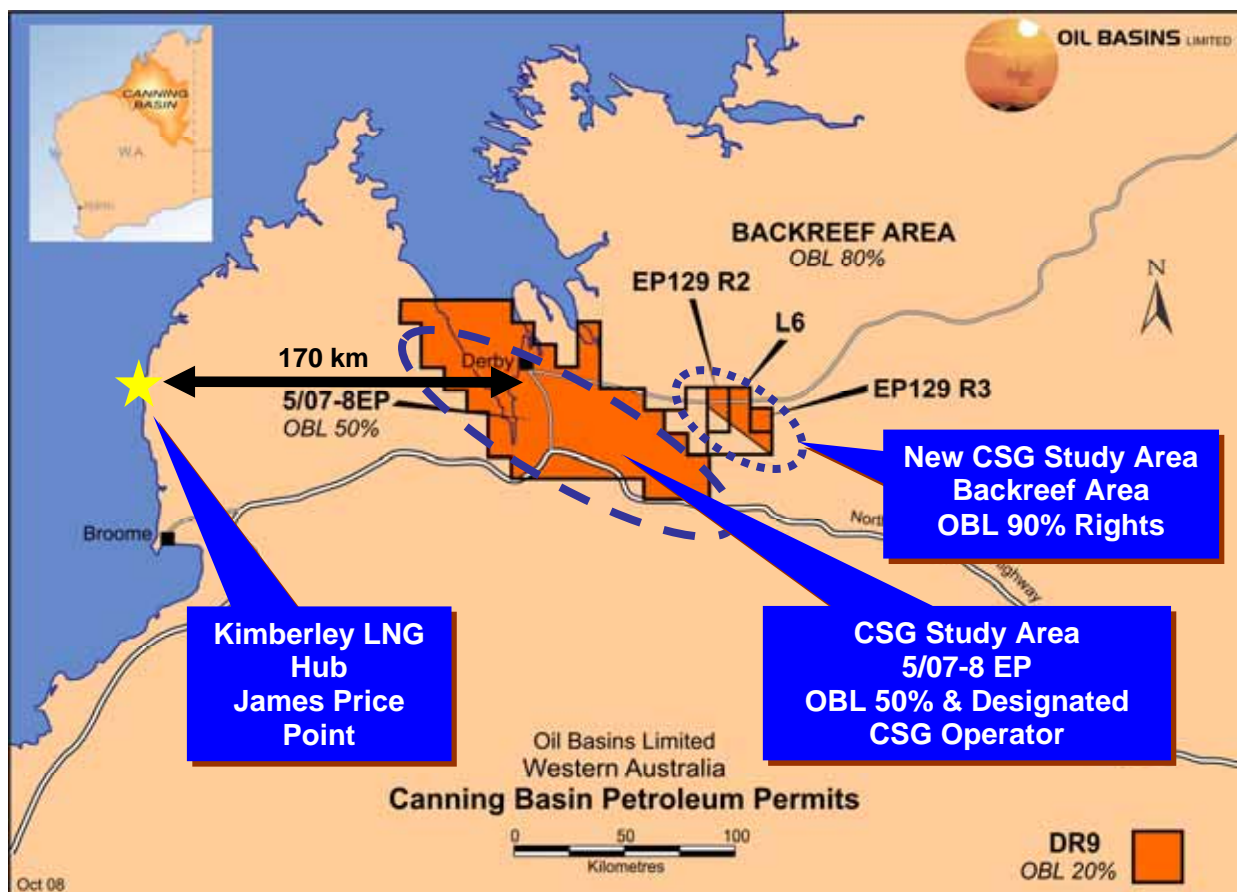
The previous Farmin option for Emika-1 DR9 has effectively lapsed with the withdrawal of the CBO Offer. Subject to funding the OBL Group may re-elect to farmin with Backreef Oil Pty Limited.

## PERMIT 5/07-8 EP

### Ownership (OBL - 50%)

During the quarter OBL was appointed as CSG Operator 5/07-8 EP and is pressing on with its data gathering and assessment of relevant previous coal exploration and relevant petroleum well data in both 5/07-8 EP and the Backreef Area. OBL has commissioned extensive independent studies of the CSG potential of the Backreef Area and 5/07-8 EP and is presently seeking to attract third party expressions of interest from experienced CSG Operators and CA's and data have been exchanged.

By way of clarification, during the quarter the Company has expanded the Canning Basin CSG Study Area to include the nearby Backreef Area (where OBL presently holds beneficial rights 90% subject to drilling the Backreef-1 well within Production Licence L6 by 31 October 2010); refer to **Figure 3**.



**Figure 3**

*Oil Basins Limited's Canning Basin interests*

*The Kimberley LNG Hub (presently the Browse LNG JV Partners preferred development option) is situated at James Price Point (60km north of Broome).*

*The LNG Hub is situated approximately 170 km due west from the CSG Study Area mid-point.*

Both CSG Study Areas are within the Fitzroy Trough region of the Canning Basin, a region where the only commercial and potential commercial hydrocarbons have been discovered to date. In addition to expanding the ongoing coal study by Westby Consulting previously announced to the ASX on 14<sup>th</sup> and 16<sup>th</sup> December 2009, OBL has also commissioned independent expert geologist Mr Roger Meaney to provide a review of the CSG potential of both Areas in conjunction with Westby Consulting.

### **Independent Expert Report - Status**

As previously mentioned, to assist OBL in this preliminary CSG prospectivity 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 assessing overall CSG prospectivity.

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 Areas are particularly well situated in relatively flat terrain, close to the provincial WA township of Derby and well accessed by all weather highways.

During the quarter, an extensive data collection of all previous and relevant regional coal mineral exploration was conducted by Westby Consulting, with over 200 water bore data and some 50 petroleum wells completed in mid-April.

Whilst this data is presently being reviewed and analysed, preliminary results are encouraging with respect to CSG prospectivity, as indications suggest that the permit contains a significant thermal coal resource at settings conducive to potential CSG generation.

Preliminary findings from Westby Consulting at the date of this quarterly are summarised as follows

***“A review of all oil wells within and nearby Permit 5/07-8 EP and the Backreef Area has revealed that sediments of the Permian coal bearing Liveringa Group are present at depths suitable for CSG (>300m) throughout Permit 5/07-8 but are confined to the western side of the Backreef Area.. The Pinnacles fault system divides the Backreef Area and the north-eastern section (including Harold 1 and Lukins 1) is located on the up-thrown side, on the May River High.***

***The available downhole geophysical logs have been found to show a very similar pattern over the over the lower part of the Liveringa Formation to Petaluma 1 where coal was recorded and led Rey Resources to the discovery of the nearby Myroodah deposit. Additionally, the bulk of Romax (%) results that relate to the Liveringa Group fall between 0.43 and 0.58,***

***Work is continuing on reviewing all the relevant water well and mineral exploration data, the integration of the results into a single data base and completion of a desktop report.”***

Investors please note that OBL emphasises that this assessment remains still at an early work-in-progress stage and may be subject to change/variation, but OBL is sufficiently encouraged by these preliminary findings, which are presented in this quarterly so as to keep the market fully informed.

Westby Consulting will then work closely with Roger Meaney to finalise the overall CSG prospectivity assessment.

Native title discussions continue by Backreef Oil Pty Limited on behalf of the Joint Venture.

## CARNARVON BASIN

### RETENTION LEASE R3

#### Ownership (OBL - 25%)

Geological and geophysical studies continue. Forecast expenditures remain relatively modest by industry standards.

### B. BUSINESS DEVELOPMENT

During the Quarter, OBL established a new Papua New Guinea (**PNG**) registered public company subsidiary Wantok Oil Limited (**Wantok**) to seek attractive investment and exploration / development opportunities in PNG on behalf of OBL. Formal registration of this subsidiary continues with relevant PNG regulatory authorities and stakeholders. OBL and Wantok are screening new business opportunities in PNG which is rapidly becoming a major LNG development focus area.

### C. CAPITAL RAISING

At the end of the Quarter, OBL directors resolved to immediately close the Canning Basin Oil Limited (CBO) Redeemable Preference Share Offer on 31 March 2010 and recently completed a Special Placement to CBO Applicants to convert to OBL scrip. This conversion successfully raised gross \$92,500 (before expenses of the issue) via a Placement of 2.312 million new OBL ordinary shares issued at a price of 4 cents per share, with a free one for four attaching ASX listed OBLOA option (exercisable at 1.5 cents on or before 30 June 2012).

Subscribers to the Special Placement were limited to previously successful compliant CBO investors who were either exempt or sophisticated investors, compliant under s708 Corporations Act.

OBL thanks the CBO Applicants who converted to OBL scrip for their continuing support of the Company.

Proceeds of this Special Placement will be applied to ongoing working capital commitments and to pursue additional value creating projects.

In addition, the OBL Directors may reconsider a new and revised Offer to CBO once funding and timing of Backreef-1 has been finalised and once the Backreef Area CSG and Shale Gas prospectivity has been assessed. All previous CBO Applicants will be given a priority entitlement should this opportunity eventuate.

### CAPITAL STRUCTURE POST – APRIL 2010 SPECIAL PLACEMENT

OBL Capital Structure	Ordinary Shares OBL	Listed Options OBLOA @ 1.5 cents	Unlisted Directors & Management Options @ 4.0 cents	\$ Amount raised / Market Cap \$Million @ 4.0 cents
Issued Capital	119,309,434	65,110,419	36,000,000	
Special Placement @ 4.0 cents	2,312,500	578,125		\$92,500
New Issued Capital	121,621,934	65,688,544	36,000,000	\$4.865M

#### **D. CASH POSITION**

Cash held at 31 March 2010 was circa \$0.406 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 \$0.406 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](http://www.oilbasins.com.au)

**30 April 2010**

## **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.

## **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 the Backreef Oil Pty Limited / 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.

The technical information related to coal measures in the CSG Study Areas has been compiled and/or assessed by Independent Expert Geologist Ms Dierdre Westblade, Principal of Westby Consulting Pty Ltd a leading coal consultancy based in WA. Ms Westblade who is a professional geologist (BSc – Geology) with over 30 years standing and who is also a Member of the Geological Society of Australia. Ms Westblade has consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear.

## 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 ( <b>CSG</b> ) or alternatively known as coal seam methane (CSM) is natural gas sourced from coal. Methane = CH <sub>4</sub> = 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.
Romax	Refers to the reflectivity of organic macerals in coal which gives a measure of thermal maturity or how hot the coals have been when buried.

## 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 & CSG 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 LLB Non Executive Chairman  
Neil Doyle SPE Non Executive Director  
Nigel Harvey SPE Non Executive Director

Melanie Leydin CA Company Secretary  
Geoff Geary PESA Technical Consultant