



# OIL BASINS LIMITED

ABN 56 006 024 764

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## QUARTERLY REPORT SEPTEMBER 2010

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

### HIGHLIGHTS

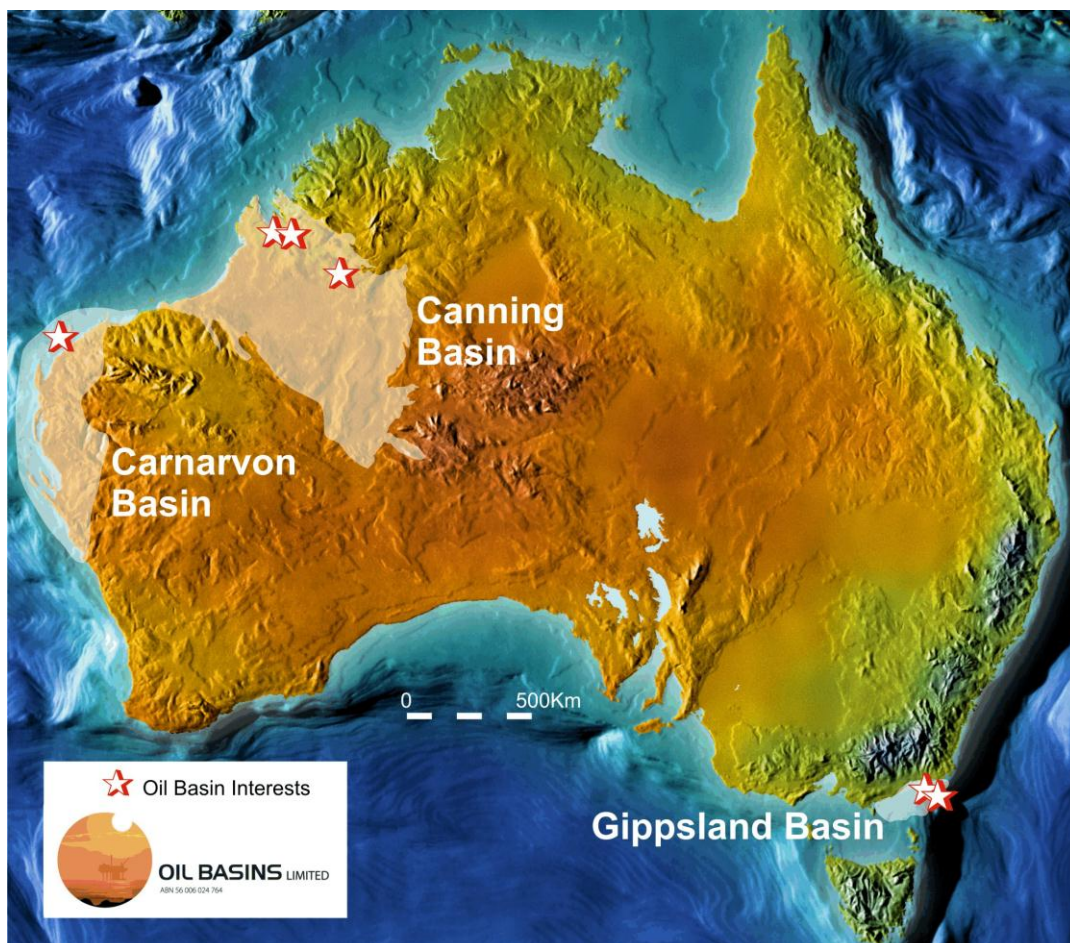
During the September Quarter, the Company reports:

- On 8 July 2010 the Company was pleased to report that its expert consultants had completed a further independent expert geological assessment of the Coal Seam Gas (**CSG**) and Unconventional Shale Gas (**USG**) potential within its large 50% Canning Basin permit 5/07-8 EP and 90% (Beneficial Rights) Backreef Area. This new work used the comprehensive information summarised within the independent expert report on the coal measures previously released to the ASX on 1 June 2010.
- On 29 July 2010 the Company successfully completed a Strategic Placement of 6.5 million shares (representing circa 4.94%) at 4.0 cents per share to Liquefied Natural Gas Ltd (**LNG**). The OBL directors are very pleased with this potentially important development that led to the execution of a Strategic Alliance Agreement (**SAA**) between OBL and LNG.
- On 17 August 2010 the Company announced a 1 for 1 Rights Issue at 4.0 cents per share (with an attaching 1 for 4 new long dated ASX listed **OBLOB** option exercisable at 4.0 cents on or before 30 June 2014), fully underwritten by Patersons Securities Limited and raising circa \$5.3 million before costs. As partial sub-underwriter to this new issue, LNG increased its holding to 7.26% in the Company.
- The primary reasons for the capital raising was to (a) fund 100% of the drilling and completion costs of the Backreef-1 well (before 31 October 2010) to complete the Farm-In to earn 90% beneficial interest and Operatorship of both the well and Backreef Area (under the terms of the Backreef Play Agreement, which was previously executed on 31 October 2008) and (b) raise working capital to fund the Company's other interests.
- During the September quarter, the Company as designated Operator Backreef-1 (OBL – net 90% Rights) took all necessary steps with the assistance of its petroleum, environmental and aboriginal heritage consultants and advisers to obtain WA Department of Mines and Petroleum (**DMP**) approval for the drilling of Backreef-1. DMP approval was confirmed on 8 October 2010.
- The Company as designated Operator Backreef-1 successfully sourced a suitable drilling rig Hunt Energy & Minerals Co. Rig 3 (**Hunt Rig 3**) which was mobilised from Marla Bore far north west South Australia), all necessary materials and specialist equipment services providers and infield Broome based / Perth based petroleum logistics consultants to assist in the necessary planning of the Backreef-1 well.
- OBL remains a low overhead oil and gas explorer with a new emphasis on gas exploration with its SAA partner and an increasing portfolio of attractive low cost oil and gas assets.

## RECENT ACTIVITY

Subsequent to September Quarter-end, the Company advises the following:

- **The Company spudded its first exploration well**, the Backreef-1 wildcat well at 2:30pm WST on 11 October 2010. The well reached 1500m at 2:30pm WST on 24 October 2010 – thereby satisfying the terms with the titleholder and OBL now holds 90% beneficial interest and Operatorship of the Backreef Area.
- Drilling continued and on 27 October 2010 Backreef-1 was drilled to 1800mRT (revised TD as permitted by the DMP) and intersecting some 300m of Clanmeyer interbedded clastics. The Hunt Energy Rig 3 performed exceptionally well and the drilling program utilised only two drill bits, vindicating OBL's engineered Drilling Program of setting the 245mm (9-5/8 inch) diameter surface casing a lot deeper at 742mRT.
- **A total of 223m of continuous hydrocarbon fluorescence was encountered in the Lower Laurel formation to the Yellow Drum Equivalent formation over an interval of 889m to 1112mRT.**
- Current operations are logging and evaluating the Backreef-1 well which has reached 1800mRT TD.
- On 19 October 2010 OBL acquired a further 75% of Retention Lease R3 (Cyrano) from Tap Oil Limited for \$300,000 plus 2.0 million OBL ordinary shares issued at 4.3 cents per share.



**Figure 1**  
*Oil Basins Exploration Interests*

## A. EXPLORATION ACTIVITIES

### GIPPSLAND BASIN

#### PERMIT VIC/P41 & PERMIT VIC/P66

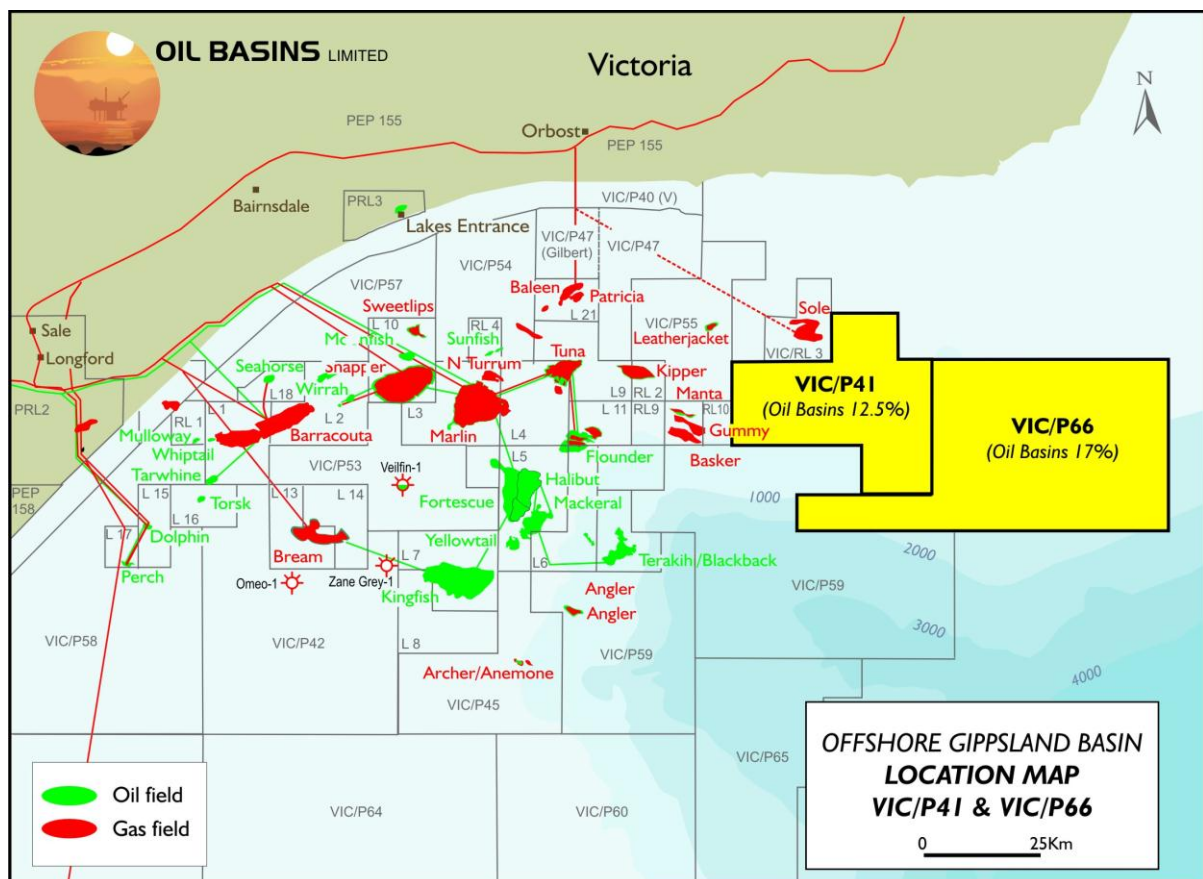
##### Ownership (OBL - Rights to 12.5% & 17% Respectively)

Vic/P41 contains a number of larger prospects defined by modern 3D seismic, notably Kipling, Benchley and Oscar, whereas Vic/P66, while containing part of the 2D-defined 'Lead a' feature, is still in an early stage of exploration with clear potential to further extend the Rosedale trend in to new areas (permits are shown in **Figure 2**).

To further define and 'de-risk' these opportunities two new technical studies are underway. A seismic inversion project (Vic/P41) will analyse both 2D and 3D seismic over Rosedale trend prospects and leads (i.e. Kipper analogues) for indications of hydrocarbon anomalies and other factors. In addition, a basin modeling project (jointly funded by Vic/P41 and Vic/P66) is aimed at defining the nature of hydrocarbon charge in to the East Gippsland area (i.e. the existence of oil versus gas) as well as the timing and migration pathways of this charge.

This permit is presently in very good standing and Company revised obligations for 2010/2011 are relatively modest by industry standards. An application for variation to the permit commitments for Vic/P41 was submitted to the authorities during the September Quarter.

Company obligations for Vic/P66 during 2010/2011 are relatively modest by industry standards.



**Figure 2**

Location of Gippsland Basin permits with Oil Basins Limited equity, including Vic/P66

## CANNING BASIN

### BACKREEF AREA

#### Ownership (OBL – 90% Rights & Operator)

OBL as an onshore Operator, Backreef Area now has in-place a WA DMP approved Drilling Operators Health Safety and Environment (**HS&E**) Manual and Emergency Response Plan (**ERP**) and other well operating systems in place for the safe conduct of drilling operations in WA.

Subsequent to September Quarter-end, the Company advises the following:

- All necessary approvals and permissions to drill Backreef-1 within Licence L6 we obtained from the DMP on 8 October 2010.
- OBL spudded the Backreef-1 well at 2:30pm WST on 11 October 2010. The well reached 1500m at 2:30pm WST on 24 October 2010 – thereby satisfying the terms with the titleholder and OBL now holds 90% beneficial interest and Operatorship of the Backreef Area.
- Drilling continued and on 27 October Backreef-1 was drilled to 1800mRT (revised TD as permitted by the DMP).
- A total of 223m of continuous hydrocarbon fluorescence was encountered in the Lower Laurel formation to the Yellow Drum Equivalent formation over an interval of 889m to 1112mRT. These are the same productive reservoir formations at the nearby Blina Oilfield (circa 7km to the E) and the Meda Oilfield (circa 40km to the NNE) which produce a light circa 38 degree API crude (with characteristic similar to diesel).
- Electric logging operations including Quad-combo and FMT of identified potential oil zones continue within the Basal Grant, Lower Laurel Member and Yellow Drum Equivalent formations.

When the assessment is complete further details will be released immediately to the market once the assessment of Backreef-1 has been finalized by its expert consultants and in-house technical advisors.

### PERMIT 5/07-8 EP

#### Ownership (OBL - 50%)

During the September Quarter, both the Operator Backreef Oil Pty Limited and the Company held Native Title discussions with all the relevant stakeholders.

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

### PERMIT 5/07-8 EP – CSG & USG POTENTIAL

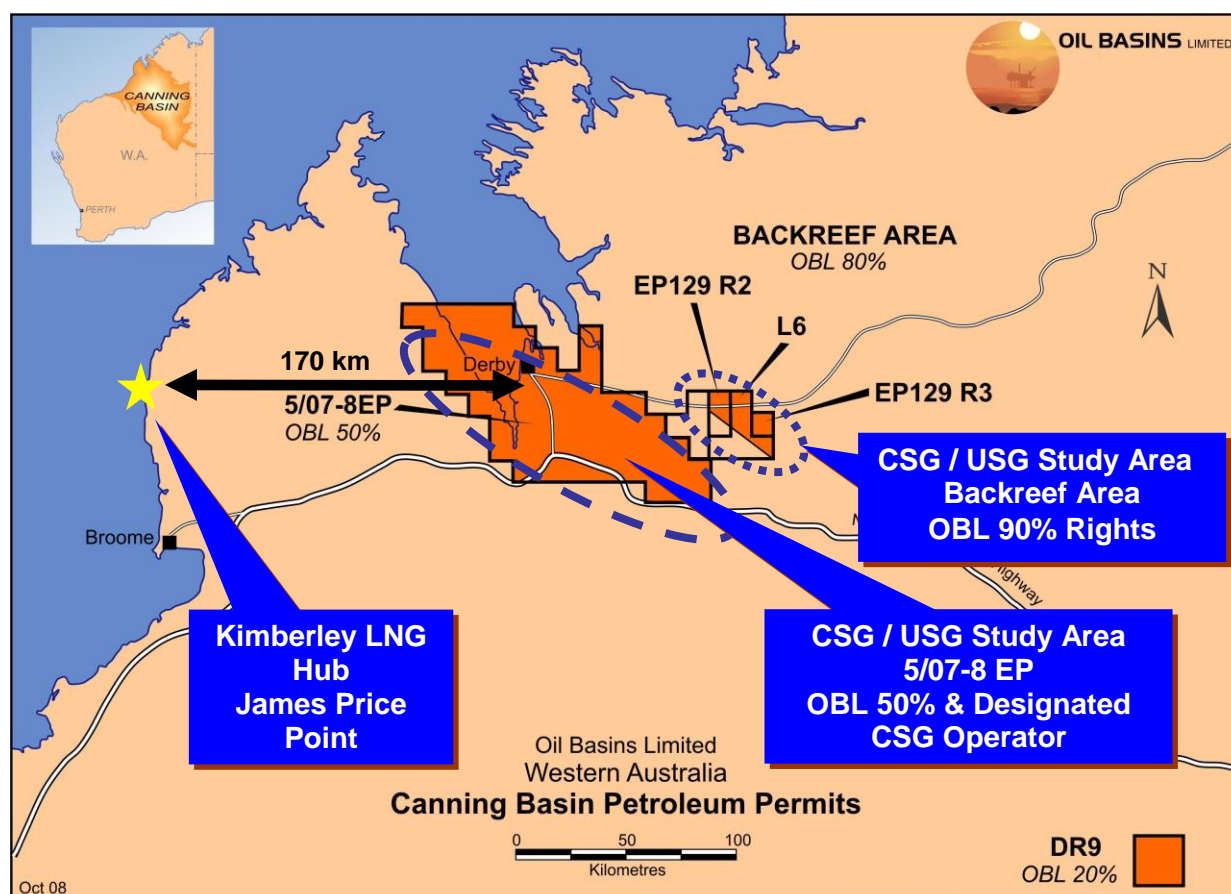
#### Ownership (OBL - 50% & Designated Operator CSG)

The Company as Operator (designate) Backreef Area and as CSG Operator designate Exploration Permit 5/07-8 EP commissioned an independent assessment of the coal seam gas (**CSG**) and unconventional shale gas (**USG**) potential of both areas; where the Company has interests as follows:

- **Exploration Permit 5/07-8EP** – (OBL rights on issuance to be 50%)
- **Backreef Area** – containing the Backreef Prospect (OBL net beneficial rights 90%)

As CSG Operator Designate for Exploration Permit 5/07-8EP, OBL believes this positive independent geological assessment of CSG prospectivity in the Company's permits is both significant and represents strategic value to OBL shareholders. OBL understands that the Report is a first such comprehensive study in the Canning Basin and is based upon the earlier Coal Measures Assessment report announced previously to the ASX on 1 June 2010.

The Independent Expert Report also for the first time delineates the previously unheralded USG prospective potential of both of these exploration areas, but especially the significant potential of the Noonkanbah Formation near Derby in Exploration Permit 5/07-8EP where a rich total organic content (TOC) >9% is evident from a prior vintage petroleum well (Booran-1) laboratory analysis.



**Figure 2**

*Oil Basins Limited's Canning Basin interests*

*Note - The Company has during 2HY2010 dropped its 20% Farm-In Rights to DR9 Canning Basin*

Key findings of the attached Independent Expert Report are as follows:

1. New work by the Company, which has been confirmed by this Report, has identified substantial potential for the presence of, and the potential to, develop non-conventional hydrocarbons in the Company's Canning Basin tenements - Exploration Permit 5/07-8 EP and the Backreef Area.
2. Oil Basins' Canning Basin acreage is known to contain extensive Permian coal measures (Lightjacket coal measures within the Liveringa Formation) and carbonaceous shales, correlatives of which are known to have sourced the gas and oil accumulations in the Cooper Basin of central Australia and Bowen Basin of eastern Australia.
3. If the coals of the Liveringa Formation are like all the Permian aged coals of eastern and central Australia they should be good CSG targets as they are expected to be volatile and 'gassy'.

Similar low cost east coast CSG development technologies may be applicable to Canning Basin coals.

4. The Permian aged coals of the Canning Basin are thought to have considerable potential for coal bed methane drainage. These source beds, of the Lightjack Formation of the Liveringa Group, are thought to contain Type 2 or oil prone macerals, as confirmed by geochemical analyses of samples from oil wells, and could also have sourced conventional hydrocarbon accumulations.
5. The estimated Lightjacket Formation 'in-situ coal volumes' are substantial:-

<i>i.</i>	<b>High Estimate</b>	<b>118.2 Billion tonnes</b>
<i>ii.</i>	<b>Best Estimate</b>	<b>80.2 Billion tonnes</b>
<i>iii.</i>	<b>Low Estimate</b>	<b>50.6 Billion tonnes</b>

6. The estimated total gross estimated recoverable prospective CSG hydrocarbon resource in the 'maximum' (high), 'mean' (best) and 'minimum' (low) deterministic cases are:-

<i>i.</i>	<b>Maximum case</b>	<b>10.0 TCF</b>
<i>ii.</i>	<b>Mean case</b>	<b>6.8 TCF</b>
<i>iii.</i>	<b>Minimum case</b>	<b>4.3 TCF</b>

***OBL Net interest positions are estimated in the Attachment (Table 1a)***

6. The Permian aged shales of the basal Noonkanbah Formation appear to be candidates for fracturing and the production of shale gas, given their tight organic rich intervals. 'Wet', or condensate rich, headspace gas has been recorded from samples of this unit. The richness of this unit (within Exploration Permit 5/07-8 EP) has been confirmed by laboratory analyses of the vintage 1982 well Booran-1 (some 3.5 km south of Derby) – this evident wet trend of abnormally high TOCs >9% is evident with the assessment of West Kora-1 some 15km north east.
7. The estimated gross potential unrisks shale gas in place (**GIP**) resource determinations:-

<i>i.</i>	<b>Maximum case</b>	<b>527.5 TCF</b>
<i>ii.</i>	<b>Mean case</b>	<b>263.8 TCF</b>
<i>iii.</i>	<b>Minimum case</b>	<b>106.5 TCF</b>

***OBL Net interest positions are estimated in the Attachment (Table 2a)***

While no estimate of gross recoverable prospective resources is completely definitive at this very early stage of exploration assessment, the sheer size of this potential new USG play is significant (magnitude of the above USG GIP figures are more than comparable to those previously reported by other 'more remote to existing infrastructure' Canning Basin permit holders). The application of newly proven modern gas extraction techniques, with long-reach horizontal multi-lateral well drilling technologies and multiple-fracking technologies (as used in the seven North American marine basins extracting USG), are worthy of further exploration assessment in both EP5/07-8 and the Backreef Area.

8. Should large enough volumes of gas, either of a CSG or USG shale genesis, be proven up then Oil Basins and its JV partner Backreef Oil would consider plans for the establishment of domestic gas supply for the local region or to the significant mineral operations in the Pilbara, and/or the establishment of either CSG or USG sourced liquefied natural gas (**LNG**) plant feedstock supply to the proposed Kimberley LNG Hub at James Price Point and/or potentially the development of a large scale gas to liquids (**GTL**) synthesis plant situated near Derby.

***EXTRACT FROM INDEPENDENT EXPERT REPORT***

Although there is significant potential for both conventional and unconventional hydrocarbon resources, for CSG alone, undiscovered recoverable gross Prospective Resources (SPE definition) thought to be present in Oil Basins' tenements are as tabled in Table 1 (with OBL Net positions are estimated in Table 1a) below:-

<b>Table 1.</b>	<b><u>TENEMENT</u></b>	<b><u>LOW ESTIMATE</u></b>	<b><u>BEST ESTIMATE</u></b>	<b><u>HIGH ESTIMATE</u></b>
<b>Gross</b>				
	EP5/07-8	4.1 TCF	6.5 TCF	9.6 TCF
	BACKREEF AREA	0.2 TCF	0.3 TCF	0.4 TCF
	<b>TOTAL</b>	<b><u>4.3 TCF</u></b>	<b><u>6.8 TCF</u></b>	<b><u>10.0 TCF</u></b>

**Possible Recoverable Gross CSG Resources in EP5/07-8 & Backreef Area in Trillions of Cubic Feet of gas (TCF)**

<b>Table 1a</b>	<b><u>TENEMENT</u></b>	<b><u>LOW ESTIMATE</u></b>	<b><u>BEST ESTIMATE</u></b>	<b><u>HIGH ESTIMATE</u></b>
<b>Net OBL</b>				
	EP5/07-8 (50%)	2.05 TCF	3.25 TCF	4.80 TCF
	BACKREEF AREA (90%)	0.18 TCF	0.27 TCF	0.36 TCF
	<b>TOTAL</b>	<b><u>2.32 TCF</u></b>	<b><u>3.52 TCF</u></b>	<b><u>5.16 TCF</u></b>

**Possible Recoverable Net CSG Resources in EP5/07-8 & Backreef Area in Trillions of Cubic Feet of gas (TCF)**

Specifically, in the case of shale gas the respective unrisks potential gross 'gas in place' resources are estimated in Table 2 (with OBL Net positions are estimated in Table 2a):-

<b>Table 2.</b>	<b><u>TENEMENT</u></b>	<b><u>LOW ESTIMATE</u></b>	<b><u>BEST ESTIMATE</u></b>	<b><u>HIGH ESTIMATE</u></b>
	EP5/07-8	101.2 TCF	253.1 TCF	506.2 TCF
	BACKREEF AREA	4.3 TCF	10.7 TCF	21.3 TCF
	<b>TOTAL</b>	<b><u>105.5 TCF</u></b>	<b><u>263.8 TCF</u></b>	<b><u>527.5 TCF</u></b>

**Possible Potential Unrisks Gross Shale Gas-in-Place Resources in EP5/07-8 & Backreef Area in Trillions of Cubic Feet of gas (TCF)**

<b>Table 2a</b>	<b><u>TENEMENT</u></b>	<b><u>LOW ESTIMATE</u></b>	<b><u>BEST ESTIMATE</u></b>	<b><u>HIGH ESTIMATE</u></b>
<b>Net OBL</b>				
	EP5/07-8 (50%)	50.6 TCF	126.6 TCF	253.1 TCF
	BACKREEF AREA (90%)	3.9 TCF	9.6 TCF	19.2 TCF
	<b>TOTAL</b>	<b><u>54.5 TCF</u></b>	<b><u>136.2 TCF</u></b>	<b><u>272.3 TCF</u></b>

**Possible Potential Unrisks Gross Shale Gas-in-Place Resources in EP5/07-8 & Backreef Area in Trillions of Cubic Feet of gas (TCF)**

## CARNARVON BASIN

### RETENTION LEASE R3

#### Ownership (OBL - 25%, increasing to 100% Operator)

A joint venture meeting was held in early September 2010 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.

On 19 October OBL acquired a further 75% Retention Lease R3 (Cyrano) from Tap Oil Limited for \$300,000 plus 2.0 million OBL ordinary shares issued at 4.3 cents per share. The acquisition price represents some A\$0.37 per barrel of booked 2P contingent reserves and increases OBL's net 2P holding to just under 1.0 million barrels.

## B. CAPITAL STRUCTURE & RECENT CAPITAL RAISINGS / NEW ISSUES

On 29 July 2010 the Company successfully completed a Strategic Placement of 6.5 million OBL ordinary shares at 4 cents per share (representing circa 4.94%) to its Strategic Alliance Partner Liquefied Natural Gas Ltd (ASX code **LNG**) with the OBL shareholding held by its wholly owned subsidiary CSG Nominees Pty Ltd (**CSG**).

### CAPITAL STRUCTURE POST – STRATEGIC PLACEMENT 29 JULY 2010

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
New Issued Capital	131,545,267	62,265,211	36,000,000	\$0.260M /\$5.261M

On 17 August 2010 the Company announced a one (1) for one (1) non-renounceable rights issue of Shares at 4.0 cents per share to raise up to approximately \$5,261,810 (before expenses) together with one (1) free Option for every four (4) Shares issued exercisable at 4.0 cents on or before 30 June 2014 (**Entitlement Issue**).

**The principal purpose of this capital raising was to fund 100% of the drilling of Backreef-1 oil and gas exploration well in the Backreef Area, Canning Basin to earn a 90% Beneficial interest in the Backreef Area and to raise additional working capital to fund the company's other projects.**

The Entitlement issue was fully underwritten by Patersons Securities limited (**Patersons**), with LNG Limited sub-underwriting as to approximately \$1.93 million (refer to full details in Entitlements Issue).

The Offer closed on 13 September 2010 and allowing for conversion of some 1,827,555 OBLOA options (raising a further circa \$73,102), the Entitlement Issue created 132,159,214 New OBL Shares and 33,039,768 New Listed OBLOB Options).

The Shortfall Allotment of 80,855,154 OBL ordinary shares and 20,213,765 OBLOB options was completed by Patersons on 24 September 2010 and the Company raised \$5,286,334 (before expenses). LNG via its subsidiary CSG now holds 19,283,004 OBL ordinary shares representing 7.26% undiluted share capital of OBL.

In addition 50% of the unlisted Directors and Management Options became listed as a consequence of the entitlement's issue with the remaining 50% due to be listed after completion of one year of escrow in December 2010.

In addition, on 19 October 2010 as part payment of the acquisition of a 75% interest in the Retention Lease R3, the Company Placed 2,000,000 new OBL ordinary shares at a price of \$0.043 cents per share to Tap Oil Limited (ASX code **TAP**).

## **CURRENT CAPITAL STRUCTURE – POST BOTH RIGHTS ISSUE & TAP PLACEMENT**

<b>OBL Capital Structure</b>	<b>Ordinary Shares OBL</b>	<b>Listed Options OBLOA @ 1.5 cents</b>	<b>Listed Options OBLOB @ 4.0 cents</b>	<b>Unlisted Directors &amp; Management Options OBLAI @ 4.0 cents</b>
<b>New Issued Capital</b>	<b>267,532,036</b>	<b>60,437,656</b>	<b>51,039,768</b>	<b>18,000,000</b>

### **C. CASH POSITION**

Cash held at 30 September 2010 was circa \$4.23 million

This Quarterly Report will be available on the Company's website [www.oilbasins.com.au](http://www.oilbasins.com.au)

29 October 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.

### **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 <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.

#### **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.

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.

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 Permits 5/07-8 EP and Backreef Area at this early and preliminary stage. It is noted that recently Backreef-1 discovered no coal in the Liveringa Formation, but it is believed that in the NNE of the Backreef Area coal measures are considered by the Experts to be a depth of greater than 300m (suitable for CSG extraction) and it should be noted that in the ASX Release dated 8 July 2010 that as the immediate region around Backreef-1 was excluded from the Independent Expert CSG resources estimate – there is no immediate reason to revise the assessed CSG resources downwards for the Backreef Area.

#### **DISCLAIMER – USG PROSPECTIVITY AND USG RESOURCES POTENTIAL**

There are numerous uncertainties inherent in estimating quantities of prospective and economic USG resources, including many factors beyond OBL's control. Estimates of economically recoverable USG 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.

Prospective USG Resources are those quantities of USG 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 USG necessarily exist within the Permit. As this work is preliminary in nature, an equally valid outcome in relation to the USG Study Area is that no USG will be discovered, or be in fact commercial.

Investors should also particularly note that the USG resources estimates provided by the Independent Expert are very preliminary unrisks gas-in-place estimates.