



OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT June 2012

Oil Basins Limited (ASX codes **OBL** & **OBLOB**) (**OBL** or **Company**) is pleased to present its June 2012 Quarterly Report.

JUNE QUARTER OPERATIONS REPORT

Highlights During the June quarter:

- ***OBL successfully completed the farmout of 20% Backreef Area to Green Rock Energy Limited, as a result OBL is mostly funded on its 2012 Canning Work Program.***
- ***OBL as operator Backreef Area JV (OBL 80% beneficial rights) conducted a production test at Backreef-1 which delineated a 'technical' non-commercial oil discovery within the Gumhole formation (believed to be the first oil discovered in the Gumhole in the Canning).***
- ***Recent oil sample analysis has confirmed the oil to be a 'Laurel' type oil similar to Meda-1 oil.***
- ***Preparations are well advanced to drill a follow-up East Blina-1 well in the Backreef Area with an expectation to spud this new exploration well during late September or early October 2012 (subject to stakeholder approvals).***
- ***OBL moved to consolidate its Gippsland interests and now holds a 12.5% interest in offshore Gippsland permit Vic/P41 (a long-held foundation IPO Company asset).***

Operated Assets Highlights

Carnarvon – Cyrano Oil Project – OBL 100%

- The geological and geophysical assessment of additional potential contingent reserves and resources within Retention Lease R3/R1 continued during the quarter. These new studies are expected to be finalised in August 2012.
- The scoping study for the Extended Well Test development scenario was completed during the quarter.

Canning

Backreef Area – OBL 80% net beneficial interest

- On 2 April 2012, OBL and Green Rock Energy Limited (ASX code **GRK**) successfully executed a Heads of Agreement (**HOA**) relating to the farmout of up to a 20% interest in the Backreef Area, Canning Basin, Western Australia with an up-front non-refundable Option Payment from GRK of \$1.1 million.

- This contributed to fund the Backreef-1 cased hole production test and GRK is liable to contribute pro rata on all costs above \$900,000 for Backreef-1 costs.
- Early in May 2012, OBL announced that GRK had elected to take a 20% interest in the Backreef Area and had paid OBL a further non-refundable \$2.5 million payment for future operations such as an Extended Production Testing (**EPT**) of Backreef-1 and/or the drilling and completion of a second well (i.e. East Blina-1 or contingent Backreef-2 appraisal) exploration well by 31 October 2012.

Backreef-1 Production Tests

- The Company announced on 22 March 2012 that it had secured a low-cost 'fit-for-purpose' drilling rig from Australian Drilling Services Pty Ltd (**ADS**) and between 16 to 30 May 2012 deployed ADS Rig#2 for the Backreef-1 cased hole production test (refer to Figures 1 and 2).
- Pre-test it was independently postulated that Backreef-1 was positioned off-structure at the shallower target and may have clipped the edge of a shallower "roll-over" structure and possibly at the edge of a shallow field oil/water contact within the transition zone between the oil column and underlying water (as the well was originally targeted at the much deeper Clanmeyer formation) – refer to OBL ASX Release 7 May 2012.
- With stakeholder prior approvals, the test program was subsequently expanded to include two test zones within the carbonates of the Gumhole Formation and the Yellow Drum Formation.



Figure 1
Backreef-1 Production Test (16-30 May 2012)



Figure 2
ADS Rig#2 – Rigging-up at Backreef-1

Summary of Test Results

- A 4m interval 957m to 961mRT (**Zone 1 – Gumhole Formation**) was perforated underbalanced with nitrogen and observed surface pressure build-up was rapid to 364 psig and over 800m influx (approximately 12 bbls) was of mostly fresh water was observed in test string. Evident initial flow rates were recorded in excess of 1000 bpd with permeability estimated at between 700 to 750 millidarcy (mD). After reverse circulation, the packer was unseated. Oil was observed at the surface of the well. Oil and water samples were taken for further laboratory analysis.
- Underbalanced perforation of the upper 22m interval between 918m to 940mRT (**Zone 2 – Yellow Drum Formation**) was again conducted using nitrogen. Evident permeability was observed to be quite tight at between 0.1 to 10 mD (similar to the nearby Blina oil field). No traces of oil were observed at the surface. Water samples were taken for further laboratory analysis.
- At the completion of both tests, OBL as operator of the Backreef Area JV reported the 'technical' oil discovery to the Minister and stakeholders as required under the WA Petroleum and Geothermal Energy Resources Act 1967.
- Specifically the oil observed in the Gumhole Formation (Zone 1) appears to be the first such oil discovery within this potentially high quality reservoir formation in the region of Licence L6, and as such, enhances the RPS assessment of the shallow oil play potential within the Kimberley Downs Embayment.

- Initial petrochemical analysis of the oil recovered from the Zone 1 production test is encouraging. Early assessment indicates that the 'live oil' fingerprint appears to be a 'Laurel' type oil with similar characteristics to oil recovered from WAPET's Meda-1 discovered in 1958 (and located some 45km distant to the north east) and very different from nearby downdip Blina oil field discovered by Home Energy Company in 1981 (and located some 7km to the west) – additional work is required to fully interpret the data.
- In the opinion of the Company's Independent Test Engineer, Backreef-1 is "**currently a non-commercial oil discovery**" and the potential oil as a prospective resource, would need for either a successful up-dip sidetrack (or better-sited appraisal well), or a successful EPT to establish it as a discovery under PRMS SPE classification.
- Under the terms of the GRK Farmin Agreement, OBL retains 100% of any benefits from any future Buru Energy Limited backin, which according to the Backreef Play Agreement can only be exercised as a one-off right and only exercisable in the event that the Backreef-1 well is declared a commercial discovery under strict SPE PRMS Guidelines.
- Consequently, in OBL's opinion Buru Energy Limited's backin rights do not apply, OBL will retain 80% of the beneficial rights Backreef Area upon drilling of the second well by 31 October 2012..
- The final cost of the Backreef-1 production test was circa \$2.2 million, with over some \$0.5 million directly attributable due to the decision to test two zones rather than one. GRK's further share of pro rata costs are estimated at circa \$0.26 million



Figure 3
Environmental Clearance Survey & Pegging of East Blina-1 Well Site

2012 Forward Program

- As the Gumhole Formation recovered hydrocarbons under test and as this evident highly productive reservoir Zone has been extensively mapped in Petrel TM by RPS within the Backreef Area, both the prognosed updip Backreef Oil Pool contingent resources estimate and the gross contingent prospective resource estimates of the Leads remain valid (Gross Prospective Resources circa 9 to 37MMbbls previously estimated by RPS in their November 2011 assessment refer to ASX Release 23 November 2011).
- During the June quarter, OBL obtained heritage clearances for both the East Blina-1 and Backreef-2 well site areas which are considered by the Company as being the best candidates for the second farmin well.
- The Company as operator continues to assess geophysical and geological interpretation of the Backreef Area post the Backreef-1 production test results and has firmed-up the well locations for both East Blina-1 and a 'contingent' updip Backreef-2 appraisal well location (situated 190m due West of Backreef-1).
- Accordingly on 17 July 2012, OBL personnel visited the Backreef Area and in addition to coordinating the environmental clearances by *ecologia* Pty Ltd pegged both the East Blina-1 and Backreef-2 well site locations (refer to Figures 3 and 4).



Figure 4

Environmental Clearance Survey & Pegging of Backreef-2 Well Site (190m due East of Backreef-1)

- OBL remains fully funded in its present Backreef Area 2012 Work Program (i.e. at least one additional exploration well by 31 October 2012).

- Recently OBL commissioned its drilling consultant DU-EL Drilling Services Pty Ltd to arrange for expressions of Interest from suitably qualified WA and interstate drilling contractors to tender for a supply of a rig for OBL's Canning Drilling Operations. Tenders close this week and will be compared with the existing option to use ADS Rig#2 or Rig#6 on a range of performance and cost criteria.
- Work is progressing in finalising the drilling program and environment management program submissions for East Blina-1 with the objective of lodging all documentation by early to mid-August 2012 and subject to usual stakeholder consents to resume operations by late September or early October 2012.
- The Company will advise shareholders of more details once all stakeholders are fully advised of the Backreef-1 Production Test results.

Permit 5/07-8 EP – OBL 50%

- Mediation was terminated by the KLC in early May 2012. Arbitration hearings convened by the National Native Title Tribunal (NNTT) commenced in late June 2012.
- As at the time of this report three hearings have been held and it is expected that the NNTT will progress further hearings with the expectation of a decision in October 2012.

Non-Operated Assets Highlights

Gippsland

- During the June quarter, the Company finalised a formal agreement with Strategic Energy Resources Limited (ASX code **SER**) for the transfer and assignment of 7.5% of offshore permit Vic/P41 situated in offshore Gippsland Basin, Victoria.
- The Company subsequently received regulatory approval from NOPTA on 17 July 2012 for the transfer of the direct 7.5% interest in Vic/P41 and now holds a direct 12.5% interest in Vic/P41.
- The benefit and impact to shareholders of this, and the earlier December quarter Moby Oil & Gas Limited (ASX code **MOG**) transaction, is that OBL has effectively removed a circa \$4.1 million contingent obligation for a \$nil cost.
- The directors are pleased that the Company will now participate fully as a net 12.5% Vic/P41 Joint Venture Partner in any subsequent successful farmout of this permit.
- Apart from OBL's legal costs in regards to Vic/P41, no significant costs were incurred in either Vic/P41 (OBL 12.5%) or Vic/P66 (OBL 17%).

Corporate

New Business

OBL was recently advised by the DMP on 23 July 2012 that it was unsuccessful in its Application for 100% New Permit Award L11-5 in the Canning Basin.

Conversion of OBLOA Options

During and subsequent to quarter-end some 61.0 million OBLOA options were successfully converted representing circa \$0.9 million (including late receivables amounting to \$0.23m post 30 June 2012). Post-finalisation of all compliant option conversions, the current capital structure is:

Listed OBL ordinary shares:	509,057,093
Listed OBLOB options:	69,039,768 (exercisable at 4.0 cents on or before 30 June 2014)

Company's New Top 20 as at 11 July 2012

OIL BASINS LIMITED

Top Holders Snapshot - Ungrouped

Rank	Name	Units	% of Units
1.	WHITTINGHAM SECURITIES PTY LIMITED	18,500,000	3.63
2.	MR COLIN ROBERT SEARL + MRS CYNDA SEARL	14,500,000	2.85
3.	MR DRAGOSLAV JEVTIC + MRS NICOLE JEVTIC	11,600,000	2.28
4.	DELTA CORPORATE FINANCE PTY LIMITED	6,173,825	1.21
5.	RTSI HOLDINGS PTY LIMITED	6,000,000	1.18
6.	UNITEAM MARKETING LIMITED	5,601,009	1.10
7.	MR NEIL FRANCIS DOYLE + MS LISA MATERANO <INTREPID SUPER FUND A/C>	5,400,554	1.06
8.	MOTTA PROPERTY INVESTMENTS PTY LTD	5,147,853	1.01
9.	BMBH PTY LTD <BM BULK HAULAGE PL S/F A/C>	5,000,000	0.98
10.	MR STEPHEN GAMBLE	4,510,000	0.89
11.	T T NICHOLLS PTY LTD <SUPERANNUATION A/C>	4,100,000	0.81
12.	MR WILLIAM JOSEPH O'BRIEN	4,060,000	0.80
13.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	4,002,876	0.79
14.	45 SOUTH NOMINEES PTY LTD <45 SOUTH INVESTMENT A/C>	4,000,000	0.79
15.	MR STEPHEN GAMBLE + MR HASAN RAMADAN + MR ALAN MOORE <GAMBLE SUPERANNUATION A/C>	4,000,000	0.79
16.	GOLDEN ICE PTY LTD <RED ICE A/C>	4,000,000	0.79
17.	MRS VANESSA HICKEY	4,000,000	0.79
18.	LANBELL PTY LTD	4,000,000	0.79
19.	MIRPIN PTY LTD <DES AMIS SUPER FUND A/C>	4,000,000	0.79
20.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,949,077	0.78
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		122,545,194	24.07
Total Remaining Holders Balance		386,511,899	75.93

Executive Directors change of shareholdings

Interests associated with the Executive Directors converted a significant number of OBLOA options thereby contributing to funds in the Company. Present shareholdings associated with the Executive Directors are:

Kim McGrath and associates – 15 million ordinary shares

Neil Doyle and associates – 10 million ordinary shares

Appointment of Company Secretary

On 1 July 2012 the Company appointed Justin Mouchacca as a Company Secretary of OBL

Change of Company's registered address and principal office

On 1 July 2012 the Company changed its registered address and principal office to:

Level 4, 100 Albert Road, South Melbourne Victoria 3205, Tel: 03 9992 7222, Fax: 03 9077 9233

Cash Position

Cash holdings at 30 June 2012: \$4.02 million

In addition, the Company received cash receivables of \$0.23 million from the late conversion of OBLOA options and expects to receive a further \$0.46 million in net cash receivables relating to the Backreef-1 Production Test during the current September quarter (comprising GST receivables and the GRK payment of pro rata costs of circa \$0.26 million).



OIL BASINS LIMITED

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Oil Basins Limited ("OBL" or "the Company", ASX:OBL & 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 5).

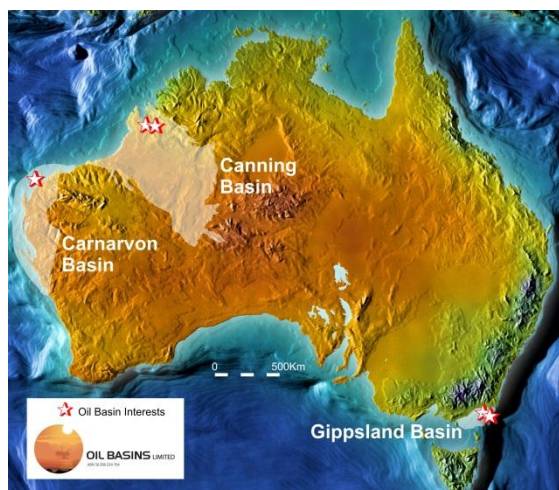


Figure 5
OBL's Australian Interests

UPSTREAM PROJECTS

Potential Upstream exploration and development projects include:

- 100% direct interest & Operator of Retention Lease R3/R1 situated in offshore Carnarvon Basin (containing the undeveloped Cyrano Oil Field).
- 80% Beneficial Rights & Operator to Backreef Area onshore Canning Basin.
- 12.5% direct interest Vic/P41 situated in offshore Gippsland Basin (six 3D defined drill-ready prospects).
- 17% direct interest Vic/P66 situated in offshore Gippsland Basin.
- 50% direct interest on award Permit 5/07-8 EP situated in onshore Canning Basin (the Permit covers over 5,000 sqkm where the Company as CSG & USG Operator has delineated significant CSG and USG potential). The Company hopes to attract Farm-in interest to this Permit.

QUARTERLY HIGHLIGHTS

During the June quarter

- OBL successfully completed the farmout of 20% Backreef Area to Green Rock Energy Limited, as a result OBL is mostly funded on its 2012 Canning Work Program.
- OBL as operator Backreef Area JV (OBL 80% beneficial rights) conducted a production test at Backreef-1 which delineated a 'technical' non-commercial oil discovery within the Gumhole formation (believed to be the first oil discovered in the Gumhole in the Canning).
- Recent oil sample analysis has confirmed the oil to be a 'Laurel' type oil similar to Meda-1 oil.
- Preparations are well advanced to drill a follow-up East Blina-1 well in the Backreef Area with an expectation to spud this new exploration well during late September or early October 2012 (subject to stakeholder approvals).
- OBL moved to consolidate its Gippsland interests and now holds a 12.5% interest in offshore Gippsland permit Vic/P41 (a long-held foundation IPO Company asset).

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 non-exclusive 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 (in accordance with SPE Guidelines) within 4 years of work programs commencing in the field



QUARTERLY ACTIVITIES REPORT

EASTERN GIPPSLAND BASIN 12.5% Vic/P41 & 17% Vic/P66

The Company holds a 12.5% direct interest in Vic/P41 which is a highly prospective drill-ready permit with gas prospects defined by modern 3D seismic and AVOs, and in addition holds a 17% direct interest in Vic/P66.

Permits Vic/P41 and Vic/P66 are located immediately adjacent in the east of the offshore Gippsland Basin, approximately 40 km south of the Victorian coast. The Operator maps have extensions of two productive trends across these East Gippsland permits:

- The eastward extension of the Rosedale Fault system sets up prospects analogous to the Kipper oil and gas field (development drilling in the Kipper field is now completed ahead of first production scheduled for early 2012).
- Further south, a second trend extension is analogous to the Basker / Manta / Gummy oil and gas fields (the FPSO was suspended in late 2010 after nearly 4 years of production).

Vic/P41 contains a number of large prospects defined on modern 3D seismic, notably Kipling, Benchley and Oscar, whereas Vic/P66, while containing part of the 2D-defined 'Lead A' feature, is still at an early stage of exploration with clear potential to further extend the Rosedale trend in to new areas.

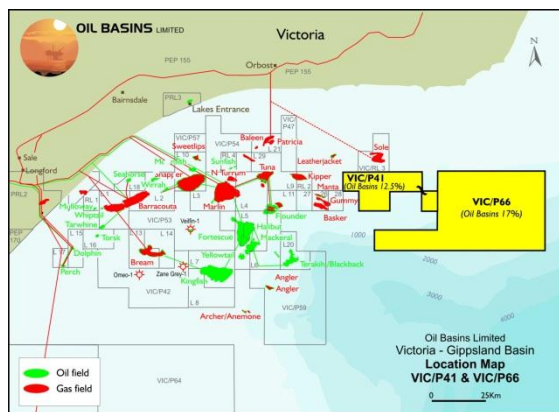


Figure 6

Location of Gippsland Basin permits with Oil Basins Limited equity - Vic/P41 & Vic/P66

To further define and 'de-risk' these opportunities two new technical studies have been completed. A simultaneous seismic inversion project (Vic/P41) analysed both 2D and 3D seismic over the Rosedale trend prospects and leads (i.e. Kipper analogues) for indications of hydrocarbon anomalies and other factors. This work has demonstrated that the seismic inversion signature

of these prospects is exactly the same as that for the Kipper Field, greatly reducing the risk associated with drilling.

In addition, a basin modelling project (jointly funded by Vic/P41 and Vic/P66) has defined the nature of hydrocarbon charge in to the east Gippsland area as well as the timing and migration pathways of this charge.

It shows the area immediately south of the permits is mature. It is modelled as having generated and expelled hydrocarbons at a time where they could migrate towards the basin margin and be trapped in the structures identified in Vic/P41 and Vic/P66. The interpretation that the gas in the Sole Field is biodegraded thermogenic gas further enhances the concept of a 'fill/spill chain' through the permit.

The Application for Vic/P41 Renewal was submitted during the September quarter and renewed by DPI early in December 2011 (Figure 7).

The Company received regulatory approval from the new offshore regulator NOPTA on 16 February 2012 for the transfer of a 5% direct interest in Vic/P41 from Moby Oil & Gas Limited (ASX code **MOG**).

During the June quarter, the Company in addition finalised a formal agreement with Strategic Energy Limited (ASX code **SER**) for the transfer and assignment of 7.5% of offshore permit Vic/P41 situated in offshore Gippsland Basin, Victoria.

The Company subsequently received regulatory approval from NOPTA on 17 July 2012 for the transfer of the direct 7.5% interest in Vic/P41 and now holds a direct 12.5% interest in Vic/P41.

Company obligations for 2012 remain relatively modest and a new budget was approved by both Joint Ventures on 17 February 2012.

It is anticipated that both these 'gassy' permits will attract considerable Farm-in interest with the onset of the proposed Federal carbon dioxide tax in July 2012.

CANNING BASIN - 80% BENEFICIAL RIGHTS BACKREEF AREA

- The Company announced on 22 March 2012 that it secured a low cost 'fit-for-purpose' drilling rig from Australian Drilling Services Pty Ltd (**ADS**).
- In mid-May 2012 Company deployed ADS Rig#2 (Figure 7) for the conduct of the Backreef-1 cased hole production tests.
- Pre-test it was independently postulated that Backreef-1 was positioned off-structure at the shallower target and may have clipped the edge of a shallower "roll-over" structure and possibly at the edge of a shallow field oil/water contact within the transition zone between the oil column and underlying water



(as the well was originally targeted at the much deeper Clanmeyer formation) – refer to OBL ASX Release 7 May 2012.



Figure 7 - ADS Rig#2

- A 4m interval 957m to 961mRT (**Zone 1 – Gumhole Formation**) was perforated underbalanced with nitrogen and observed surface pressure build-up was rapid to 364 psig and over 800m influx (approximately 12 bbls) was of mostly fresh water was observed in test string. Evident initial flow rates were recorded in excess of 1000 bpd with permeability estimated at between 700 to 750 millidarcy (mD). After reverse circulation, the packer was unseated. Oil was observed at the surface of the well. Oil and water samples were taken for further laboratory analysis.
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- Initial petrochemical analysis of the oil recovered from the Zone 1 production test is encouraging. Early assessment indicates that the 'live oil' fingerprint appears to be a 'Laurel' type oil with similar characteristics to oil recovered from WAPET's Meda-1 discovered in 1958 (and located some 45km distant to the north east) and very different from nearby downdip Blina oil field discovered by Home Energy Company in 1981 (and located some 7km to the west) – additional work is required to fully interpret the data.
- In the opinion of the Company's Independent Test Engineer, Backreef-1 is "**currently a non-commercial oil discovery**" and the potential oil as a prospective resource, will require either an up-dip sidetrack or an EPT

to establish it as a discovery under PRMS SPE classification.

- Under the terms of the GRK Farmin Agreement, OBL retains 100% of any benefits from any future Buru Energy Limited backin, which according to the Backreef Play Agreement can only be exercised as a one-off right and only exercisable in the event that the Backreef-1 well is declared a commercial discovery under strict SPE PRMS Guidelines.
- Consequently, as in OBL's opinion Buru Energy Limited's backin rights do not apply, OBL will retain 80% of the beneficial rights and operatorship of the Backreef Area.

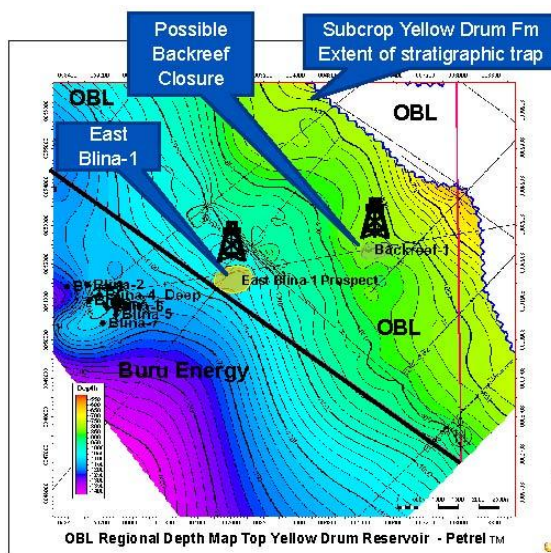


Figure 8
OBL interpretation of the Backreef Oil Pool and East Blina-1 Lead (OBL 80% Rights)

- Overall cost of Production Test was circa \$2.2 million with principal overruns over the revised April budget of \$1.35 million based on a single 4m test, were due to additional roadworks and site preparation costs (\$70k), testing of two zones (circa \$500k), non-availability of a locally sourced camp (\$100k) and no immediate Third-Party utilisation of Rig#2 (ie no demob saving of \$180k).
- Under the terms of the OBL Farmout, GRK's further share of pro rata costs are estimated at circa \$0.26 million
- OBL has an exclusive option for 2 "drilling slots" in 4Q2012 commencing circa 1 September 2012 – option to utilise either ADS Rig#2 (Figure 7) or larger depth capacity ADS Rig#6.
- Recently OBL commissioned its drilling consultant DU-EL Drilling Services Pty Ltd (**DU-EL**) to arrange for expressions of Interest



from suitably qualified WA and interstate drilling contractors to tender for a supply of a rig for OBL's Canning Drilling Operations. Tenders close this week and will be compared with the existing option to use ADS Rig#2 or Rig#6 on a range of performance and cost criteria.

- Work is progressing in finalising the drilling program and environment management program submissions for East Blina-1 with the objective of lodging all documentation by early to mid-August 2012 and subject to usual stakeholder consents to resume operations by late September or early October 2012 (Figure 8).
- As the Gumhole Formation recovered hydrocarbons under test and as this evident highly productive reservoir Zone has been extensively mapped in Petrel TM by RPS within the Backreef Area, both the prognosed updip Backreef Oil Pool contingent resources estimate and the gross contingent prospective resource estimates of the Leads remain valid – refer Figure 9 (where Gross Prospective Resources circa 9 to 37MMbbls with Mean of 20.6MMbbls have been previously estimated by RPS in their November 2011 assessment, as detailed in OBL ASX Release 23 November 2011).

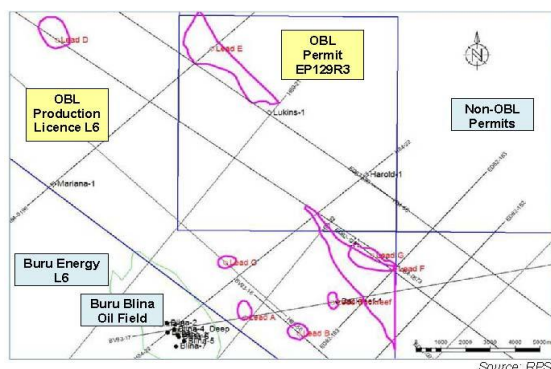


Figure 9
OBL's Backreef Area Leads

CANNING BASIN – 50% Rights 5/07-8 EP

- As at the time of this report three hearings have been held and it is expected that the NNTT will progress further hearings with the expectation of a decision in October 2012.
- No significant expenditures are anticipated to occur until approvals from all relevant stakeholders and authorities are attained.

CARNARVON BASIN – 100% R3/R1 (Cyrano)

The Company lodged its R3 Retention Lease Renewal Application with the DMP in early June 2011 and on 12 October 2011 was successfully awarded the R3 Retention Lease as R3/R1 for 5 years with no revisions to its minimum \$200,000 committed annual work program (Figure 10).

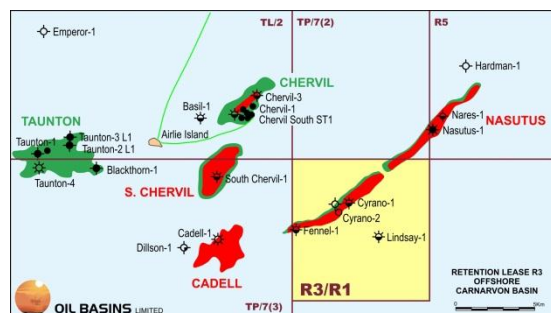


Figure 10
Location of Retention Lease R3 / R1

The scoping study for the Extended Well Test development scenario was completed by DU-EL during the quarter.

OBL believes that this innovative 'new development concept' may have significant impacts to Cyrano and have application to other similar marginal stranded oil fields. OBL is seeking further acquisition / development opportunities.

- The Company believes that it now has a roadmap to a practical 'new' rapid development hub EPT concept that 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 which will require future reservoir simulation studies to assist in de-risking and assessing performance variables.
- Work continues on assessing the additional potential contingent reserves and resources within Retention Lease R3/R1. These new geological and geophysical studies are expected to be finalised during August 2012.

OBLOA OPTIONS CONVERSION

During and subsequent to quarter-end some 61.0 million OBLOA options were successfully converted representing circa \$0.9 million

CAPITAL STRUCTURE

Post conversion of OBLOA options, the present OBL capital structure is:

Capital Structure	OBL Ord. Shares	OBLOB Options
11 July	509,057,093	69,039,768

CASH POSITION

Cash at 30 June 2012:	\$4.02 million
Near cash & GRK receivable*:	<u>\$0.45 million</u>
Adjusted cash:	\$4.47 million
	*now paid

Neil Doyle SPE
Director & CEO
25 July 2011



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
STOIIP	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 31 years standing and a continuous Member of the Society of Petroleum Engineers since 1981 (SPE 30 Year Club Member) and by Mr Geoff Geary who is a professional geologist (BSc – Geology) with over 28 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.