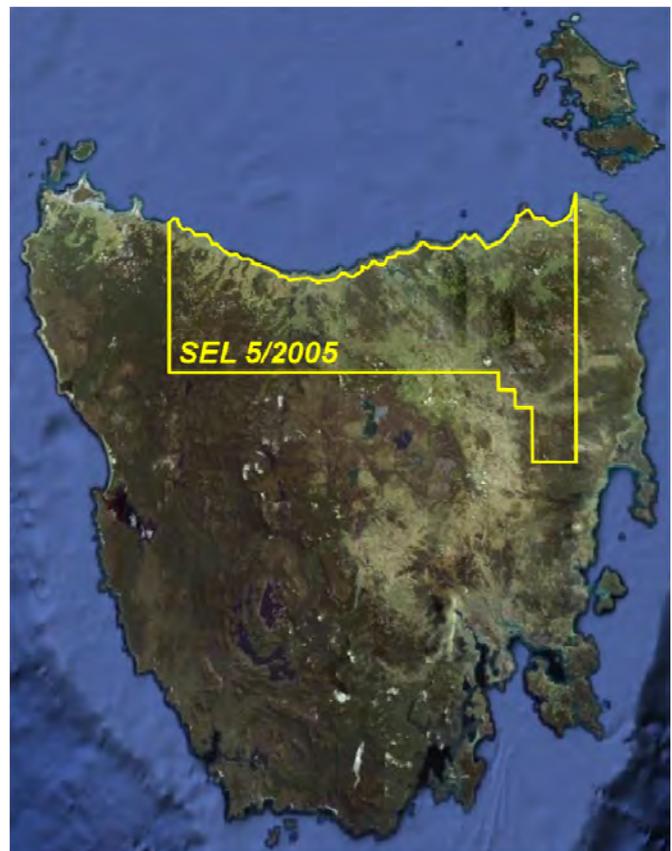


Overseas Energy Holdings Limited

SEL 5/2005 Annual Report

August 2010





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August, 2010

Abstract

Overseas Energy Holdings Limited (OEHL) has developed a unique theory of oil accumulation on Tasmania. The proposition that underlies the acquisition of the SEL and the exploration activities that OEHL has carried out is that oil has migrated from the proven Bass Basin source rock through deep fissures or fractures into shallower Tasmania Basin reservoirs. To identify locations where these fissures may contain commercial quantities of hydrocarbons OEHL has correlated regional and local geology with fracture and fault systems onshore Tasmania.

In the first 5 years of exploration on SEL 5/2005 OEHL has conducted extensive geological and other surveys over the whole of the license area. Seismic and other sources of geological data including local mapping and knowledge derived shallow wells was extensively reviewed by the Company's management and a number of highly prospective areas identified.

The plan of OEHL has been to drill a number of exploration wells as a precursor to further seismic and other investigation of the hydrocarbon potential of Northern Tasmania. OEHL drilled exploration well Westwood 1 from October 2009 to January 2010 approximately 12.5 kilometers southwest of Launceston. The well was planned to be drilled to a total depth of 2,000m but did not achieve the reservoir target. Well trajectory became severely deviated at 976m. Attempts to bring the trajectory back to the reservoir target utilizing directional drilling tools were unsuccessful because of extremely hard and steeply dipping formations. Drilling was stopped at 1,679m. Westwood 1 was subsequently plugged and abandoned and the drilling location rehabilitated.

OEHL has surrendered approximately 55% of the SEL 5/2005 license territory so as to focus on exploration of priority prospective locations and is investigating carrying out geophysical surveys, including gravimetric and magnetotellurics, and the drilling of at least two more explorations during the next five year extension of SEL 5/2005.

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Introduction

SEL 5/2005 was originally granted to Primeline Petroleum Corporation on 8 September 2005 and subsequently transferred on 28 May 2009 to Overseas Energy Holdings Limited. OEHL is the sole participant in SEL 5/2005.

The license territory encompasses 13,336 square kilometers of land in the districts of Wellington, Russell, Lincoln, Devon, Dorset, Westmorland, Cornwall and Glamorgan in northern Tasmania and is shown in figure 1 below.

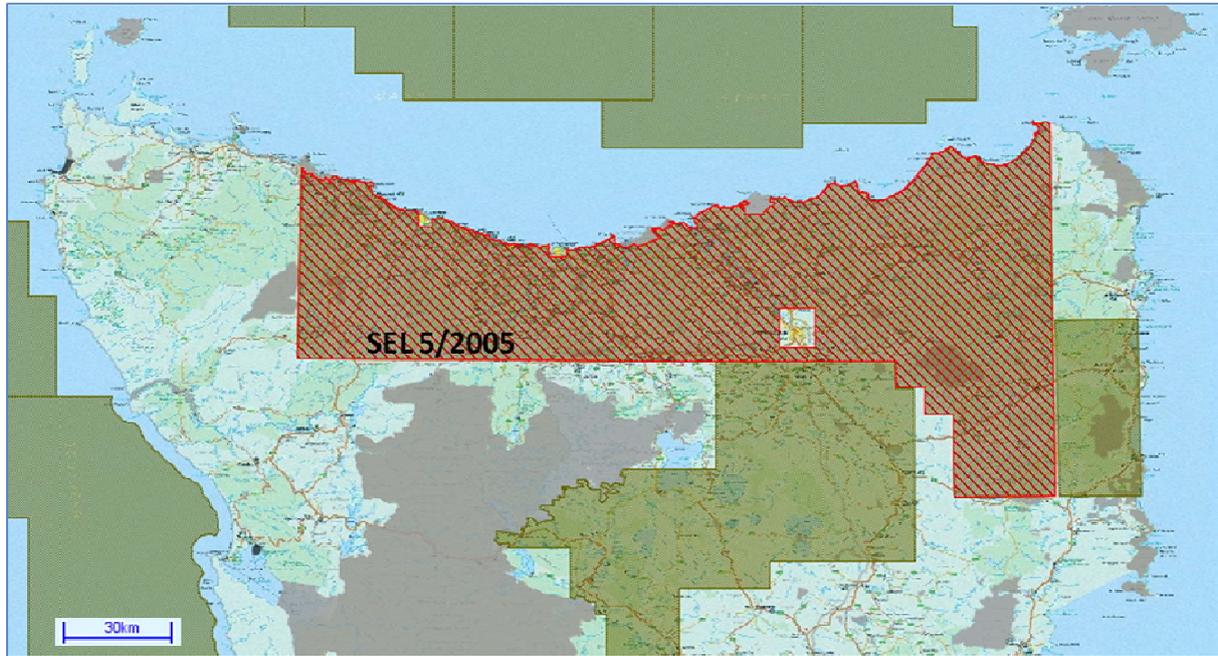


Figure 1: SEL 5/2005

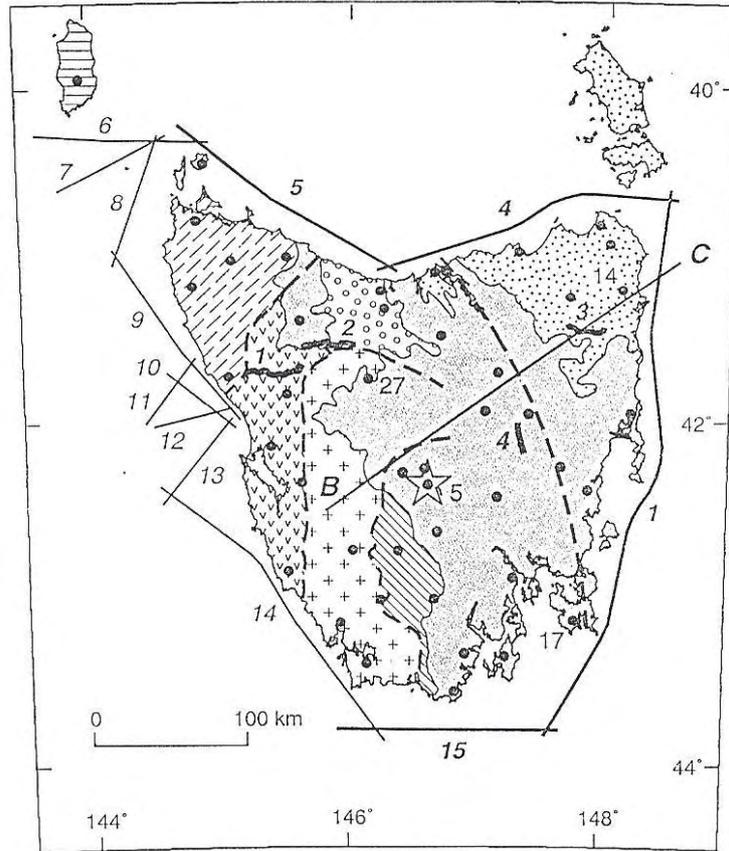


Figure 3: AGSO 148

During current tenement OEHL reviewed the theories for oil accumulation in sedimentary basins on Tasmania. Onshore Tasmania is believed to have two sedimentary rock successions prospective for hydrocarbons:

The Parmeener Supergroup, a flat-lying Carboniferous to Triassic succession that comprises the sedimentary fill of the Tasmania Basin. Marine sandstone and limestone units are the best potential reservoirs of the Upper Parmeener Supergroup while the Lower Freshwater Sequence, the Liffey Group, Mersey Coal Measures and Perolenna Coal Measures in northern Tasmania are believed to be the main potential reservoirs in the Lower Parmeener Supergroup.

In the Wurawina Supergroup, a folded Ordovician carbonate source (the Gordon Limestone) is believed to have charged lower Paleozoic reservoirs and sub-Dolerite traps.

In addition to the above discussed theories for hydrocarbon accumulation on Tasmania, OEHL argues that deep fissures formed during the Paleogene, when Tasmania was separating from Australia, created migratory pathways for charging older but shallower traps in the Tasmania Basin.

OEHL's belief is that the movement of hydrocarbon fluids into and within the Tasmania Basin was assisted by the pre-existing network of major faults. These

faults were mainly the result of Cambrian and Devonian orogenesis and predated oil and gas formation in the Bass Basin.

OEHL postulates that during the separation of Tasmania and Australia hydrocarbons migrated through the created fractures into the older but shallower reservoirs of the Tasmania Basin possibly via the Chat Accommodation Zone.

Exploration Completed During the Report Period

OEHL has conducted extensive geological and other surveys over the whole of the licence area. These surveys have been conducted by the company's chief geologist and RPS in Perth, WA. Seismic and other sources of geological data including local mapping and knowledge derived from drilling shallow wells (OEHL's chief geologist has been responsible for drilling nearly 100 shallow wells in various parts of Northern and Central Tasmania), has been extensively reviewed by the Company's management and a number of highly prospective areas have been identified.

Literature review for the preparation of the exploration drilling program begun by OEHL in 2009 included review of the known geology, existing wells, the GSLM regional 2D onshore seismic survey and the AGSO 148 offshore seismic.

The well that is of most relevance to the drilling program was the well OPH-1 (Oil Prospecting Hole No. 1) drilled at Bracknell. This was reported in Matthew's "Geology and Groundwater Resources of the Longford Tertiary Basin, Geological Survey Bulletin 59" (1983).

In an attempt to reconcile actual recorded geology and depth to the seismic profiles, Lane (2002) converted the Gamma Ray log of OPH-1 into TWT and then further tied and displayed the log onto the seismic line TB01-PM at shot point 450 (Figure 4). The Tertiary section is clearly displayed and Lane (2002) has calculated it to have a thickness of approximately 750m overlaying the Jurassic dolerite. Below the massive dolerite unit seismic delineation is not so clearly defined.

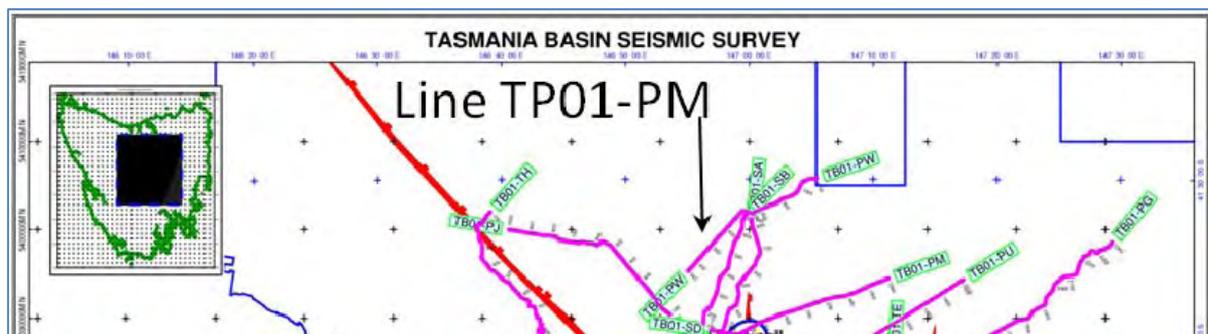


Figure 4: GSLM Line TP01-PM

Of the 15 lines, line AGSO 148/04 is the closest to OEHL surveyed drilling locations.

The shot point map and the un-interpreted migrated stack section of the line between shot point 2306 and shot point 4168 are most relevant and are shown below.

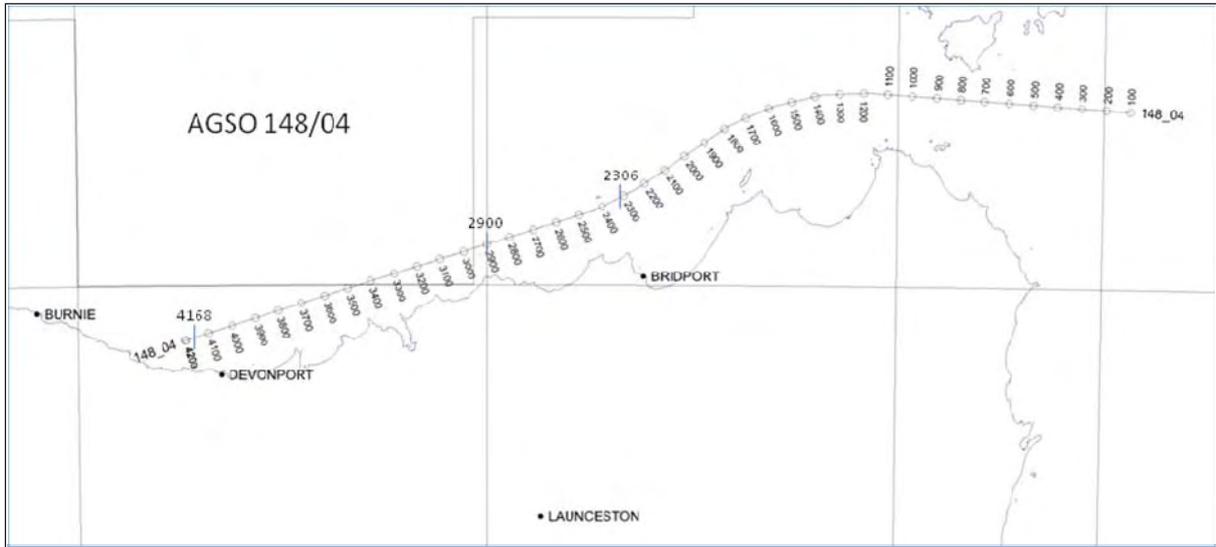


Figure 5: AGSO Line 148/04

The uninterpreted profile shows a structural lead at shot point 2900. A zoom of this feature is presented below.

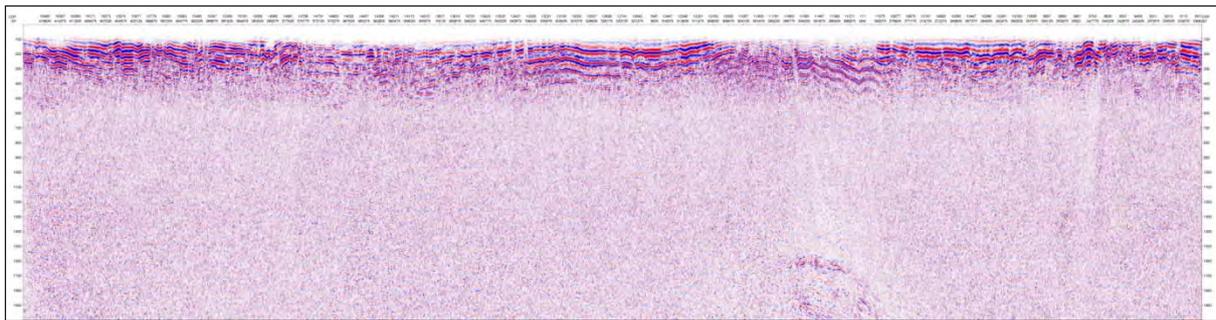


Figure 6: Profile AGSO 148/04 (partial)

Discussion of Results

OEHL gained considerable knowledge of the Tasmanian subsurface with the drilling of Westwood 1. From the Westwood 1 stratigraphic column presented below it can be seen that horizons are considerably higher than anticipated at the Westwood location. Westwood 1 also confirmed the subsurface structure of Permian and older formations in that they are indeed steeply dipping.

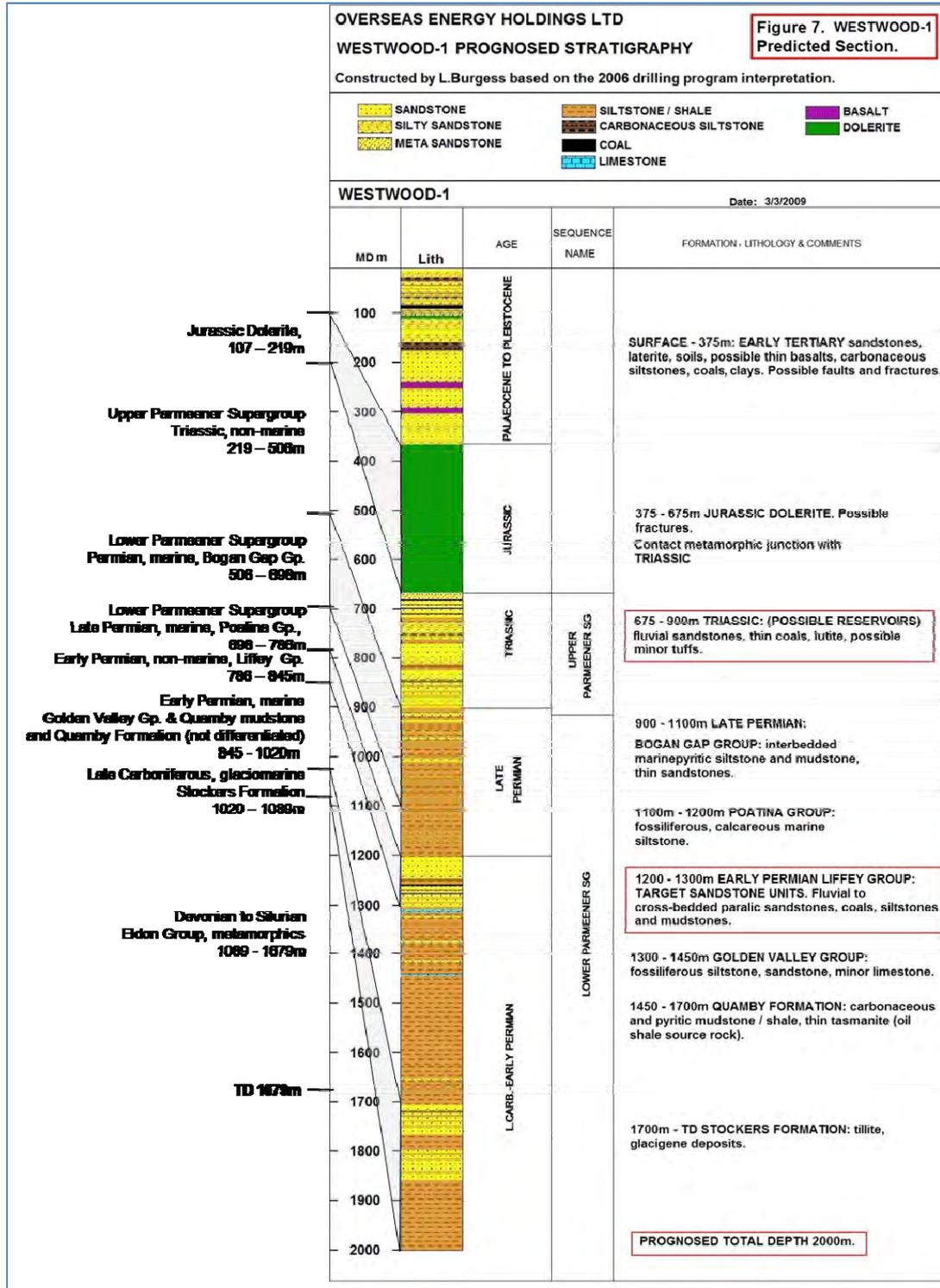


Figure 7: Westwood 1 Stratigraphic, prognosis and actual

An air-hammer rig drilled the 17-1/2" pilot hole at Westwood 1 as the dolerite was anticipated to be shallow and thick. The pilot hole was drilled to 108m. After achieving pilot hole TD the air-hammer rig was released and Hunt Rig 3 rigged up and spud on 26 November, 2009.

Hunt Rig 3 drilled reamed and cleaned the hole then ran 13-3/8" casing to 105m. Drilling continued with a 12-1/4" bit to 338m and the intermediate 9-5/8" casing was run and set. This depth was through the dolerite and in the top of the Upper Parmeener Supergroup.

The production section was drilled with 8-1/2" bit and 7" casing would have been run to TD should a discovery be made.

Hunt Rig 3 is a 450 Hp rig with twin TSM 500 Duplex 7-1/2" x 16" mud pumps.

The well trajectory began deviating slightly (2°) at 640m and severely (15°) at 976m. At 1,005m directional drilling equipment was introduced to control the well path. The cause of the deviation is believed to be extremely hard rock and steeply dipping beds.



Figure 8: Hunt Rig #3

An Acoustic-Litho-Compressional Strength log for Westwood 1 was developed from 500m to TD. The log shows rock compressional strength increasing from 6,000 - 9,000 psi to 10,000 – 15,000 psi at 1,020m to 1,090m. Another severe increase in rock hardness occurs at 1,100m. From 1,100m to TD rock compressional strength varies from 18,000 psi to 30,000 psi with spikes as high as 47,000 psi.

Analysis of the directional drilling plot plans (Appendix 2) indicate that beds were dipping as much as 25° at 994m.

At 1,005m it was decided that it was necessary to directionally drill to the reservoir target. At 1,326m it was determined that steering to the target would not be possible and the decision was made to plug back and sidetrack.

Kickoff point was 815m. From 1,100m to 1,350m steering to target became again difficult and severe doglegs were created. Drilling ahead continued with caution until the 1,679m when TD was called because of high risk of becoming stuck.

Westwood 1 is presently suspended and OEHL retains the option to re-enter the well and directionally drill to the Gordon limestone reservoir target.

Well TD was in the Devonian-Silurian Eldon Group. Westwood 1 did not reach the reservoir target in the Ordovician Gordon Group limestone.

Conclusions

Westwood-1 ST1 was a non-conventionally located hydrocarbon exploration well drilled to primarily evaluate the Liffey Group sandstones and the Gordon Limestone for oil. Secondary objectives were to evaluate any other hydrocarbon bearing zones, potential source rocks and Jurassic dolerite thickness in the area.

The well failed to find hydrocarbons before reaching total depth at 1,679m (driller). The well experienced major deviation problems in most-likely folded and probably faulted metamorphosed rocks that alternated between durable quartzitic sandstones and fissile to sub fissile shales and slates. The upper target reference for the well trajectory was eventually crossed by the wellbore with no indications of hydrocarbons.

Owing to the difficulties in steering, the very slow rate of penetration, the lack of shows, the risk of becoming stuck in the hole and escalating costs, total depth was called at 1,679m, some 221m above the prognosed total depth of 2,000m.

It has always been OEHL's plan to drill a number of exploration wells as a precursor to further seismic and other investigation of the hydrocarbon potential of Northern Tasmania. This is because well logs, seismic and interpretation of gravity and other surveys is extremely difficult without established reference points. The OEHL exploration programme is designed to obtain this reference data through drilling at strategic points which will then make subsequent interpretation of seismic, gravity and other surveys much more reliable and enable the knowledge base to be expanded much more confidently and effectively.

OEHL has identified eight drilling locations to date within its SEL 5/2005. Westwood 1 was drilled and did not confirm the OEHL theory of oil migration onto Tasmania. OEHL is planning its second exploration well, Bass Highway 1, on the coast in north central Tasmania and its third well, Weymouth Road 1, in northeastern Tasmania near the coast.

Bass Highway 1 is a proposed exploration well in the Tasmanian basin in north central Tasmania. There is little information for this area of the basin, especially at depth.

The objectives of the bass Highway 1 are to:

1. Confirm the stratigraphic column.
2. Investigate presence of potential hydrocarbon bearing formations in the Parmeener Supergroup;

3. Investigate presence of potential hydrocarbon bearing formations in the Gordon Limestone or intercept and confirm existence of an oil saturated fracture system.

The objectives of the Weymouth Road 1 are to:

1. Intersect an oil saturated fracture system in early Ordovician formations at approximately 3,000m.
2. Intersect the secondary hydrocarbon play located within the Gordon Group limestone if present;
3. Define any tertiary targets intersected by the well;
4. Delineate the oil source rocks within the intersected lithology.

OEHL is investigating carrying out gravimetric and magnetotelluric surveys at the proposed locations for Bass Highway 1 and Weymouth Road 1 prior to drilling activities.

Environment

OEHL carried out aquifer protection, ecological, noise assessment and heritage assessment studies prior to drilling operations at Westwood 1. OEHL was in full compliance with the recommendations of each study during the whole of drilling operations.

Westwood 1 has been plugged and abandoned.

Four cement plugs were run in Westwood-1 ST1 prior to the well being suspended for possible future sidetracking. These plugs isolated potential aquifers to prevent them from commingling.

The cement plugs were set over the following intervals:

- | | |
|-------------|-------------|
| 1. 840-740m | 2. 540-500m |
| 3. 370-300m | 4. 40-10m |

In July 2010 it was decided that the well would not be re-entered and would be abandoned. The lease was remediated back to landowner specification.

The sump was filled, compacted and graded. After pumping the surface plug the wellhead was cut off 1.2m below ground level and a plate welded onto the casing. The cellar was filled, compacted and graded. The landowner instructed OEHL to leave the level pad in its entirety so as to use the location for his own purposes.

Expenditure

OEHL expenditures for exploration activities on SEL 5/2005 are presented in the following table.

Table 1: OEHL Expenditures

		pre current F.Y.	31/12/2009	31/03/2010	30/06/2010	26/08/2010	Total
Geoscientific Costs	Geology	142,119	113,300	103,430	29,472	535	388,856
	Geochemistry	-	-	-	-	-	-
	Geophysics	-	237,668	-	-	-	237,668
	Remote sensing	-	-	-	-	-	-
Drilling and Gridding Costs	Gridding	-	-	-	-	-	-
	Drilling	751,940	3,423,630	1,326,572	225,304	13,262	5,740,708
Land Access Costs		103,429	-	50,000	-	-	153,429
Rehabilitation Costs		-	-	65,515	66,303	33,358	165,176
Feasibility Study Costs		542,162	-	-	-	-	542,162
Other Costs		-	-	-	-	-	-
Administration Costs		155,818	377,460	154,552	32,108	4,716	724,654
Total Costs		1,695,468	4,152,058	1,700,069	353,187	51,871	7,952,653
Cumulative Costs		1,695,468	5,847,526	7,547,595	7,900,782	7,952,653	-

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Keywords

oil, gas, petroleum, exploration, drilling, geology, geophysics, stratigraphy, expenditures, seismic

Appendixes

Appendix 1 - Westwood 1 Acoustic-Litho-Compressive Strength Log

