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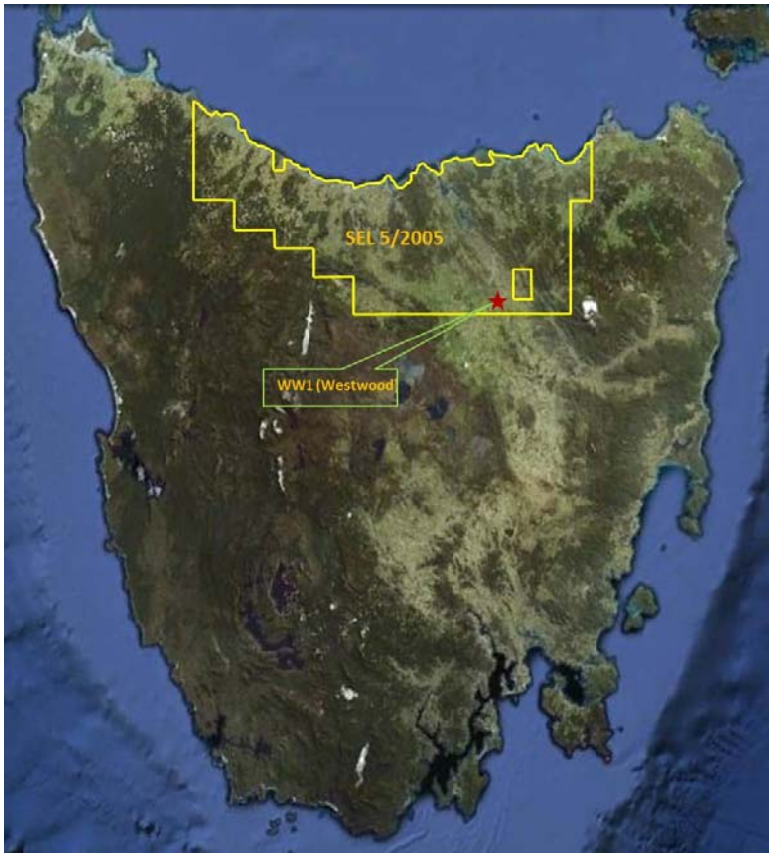
Overseas Energy Holdings Limited

SEL 5/2005 Annual Report

September 2013

OVERSEAS ENERGY HOLDINGS



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September 2013

Abstract

Overseas Energy Holdings Limited (OEHL) has developed an independent 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 found onshore Tasmania.

During the first 5 years of exploration in SEL 5/2005, OEHL conducted extensive research and various geological surveys over the whole of the license area. Data derived from seismic and other geological work, including knowledge derived from shallow boreholes was extensively reviewed by the Company's management and a number of highly prospective areas identified.

OEHL's plan is to drill a number of exploration wells as a precursor to further seismic and other types of investigation of the hydrocarbon potential of Northern Tasmania. OEHL drilled exploration well Westwood 1 from October 2009 to January 2010 approximately 12.5 kilometres southwest of Launceston. The well was planned to be drilled to a total depth of 2,000m but did not achieve the reservoir target due to difficult geology and drilling conditions.

OEHL surrendered approximately 55% of the SEL 5/2005 license acreage so as to focus on exploration of priority prospective locations. It has now carried out gravimetric and seismic surveys to provide further data to support the drilling of additional exploration wells.

During the year period to September 2013 OEHL, building on the 2011/2 Gravimetric Survey with its associated Interpretation Report, conducted a targeted Seismic Survey over key prospective areas. The resulting interpretation of the results enabled a Competent Persons Report to be produced. The Processing and Interpretation of the seismic results by the initial G&G sub-contractor was unsatisfactory. As a result a second round of processing and interpretation by CAPD was necessary but has yielded much clearer results from the seismic survey. The final interpretation report was received in November 2012 and the consequent Competent Persons Report became available early 2013.

The contents of the Seismic Interpretation and the Competent Persons Report have informed the proposed exploration-drilling programme for which the necessary investment funding is now being sought.

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Introduction

An Extension License for SEL 5/2005 for a further 5 years was granted in September 2010 over a total of 6,885 sq km of Northern Tasmania as set out in the Licence. OEHL is the sole participant in SEL 5/2005.

This report covers the period to 30th September 2013.

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

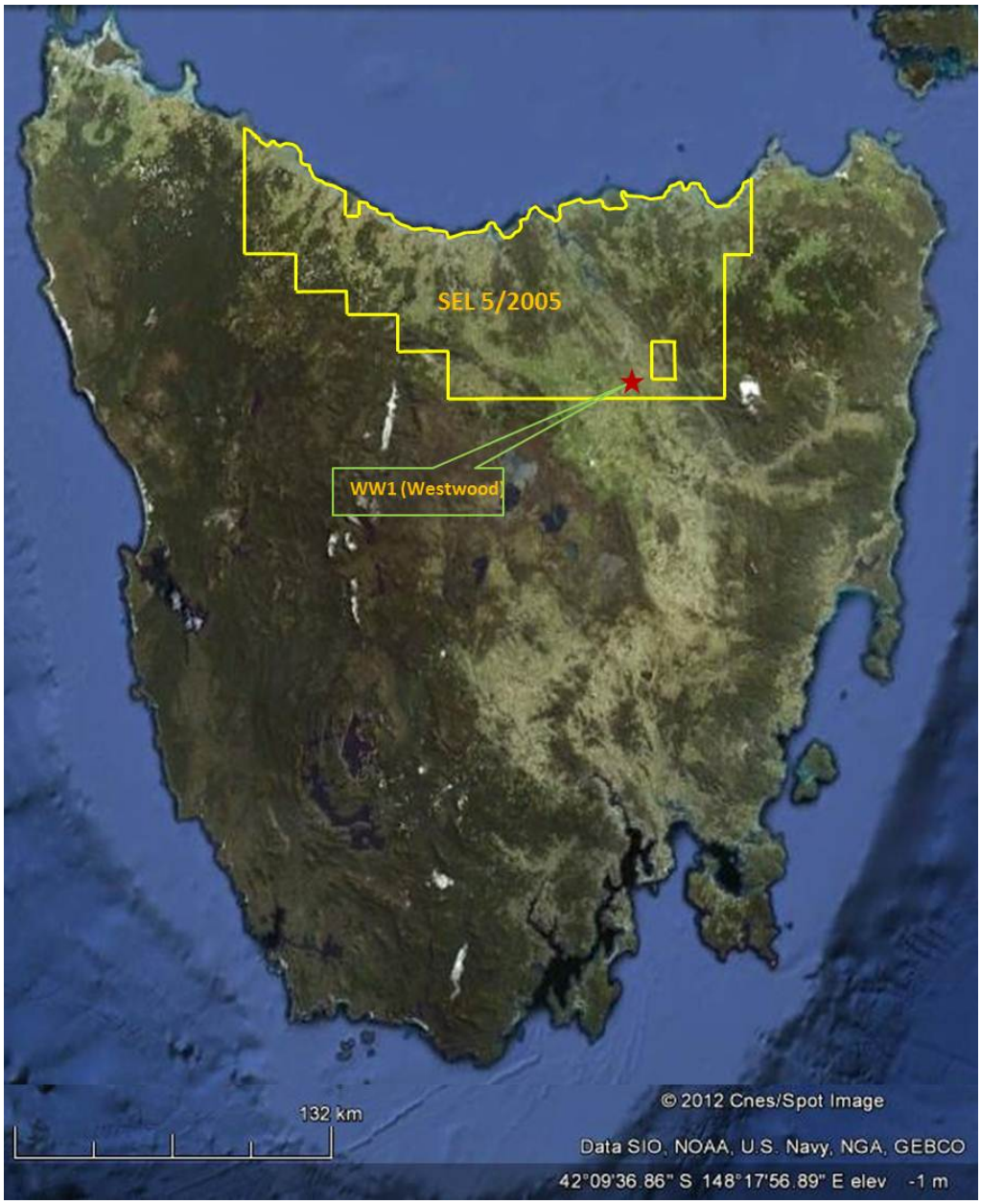

Figure 1: SEL 5/2005, showing the location of Well Westwood #1

Review of Previous Work

Very little or no petroleum exploration was carried out in Tasmania prior to OEHL's efforts in their current tenement. The previously drilled wells were mostly stratigraphic wells and drilled to depths less than 1,000m.

Great South Land Minerals Limited carried out a 2D regional seismic survey over north central Tasmania from March to June 2001. The survey area is shown in Figure 2.

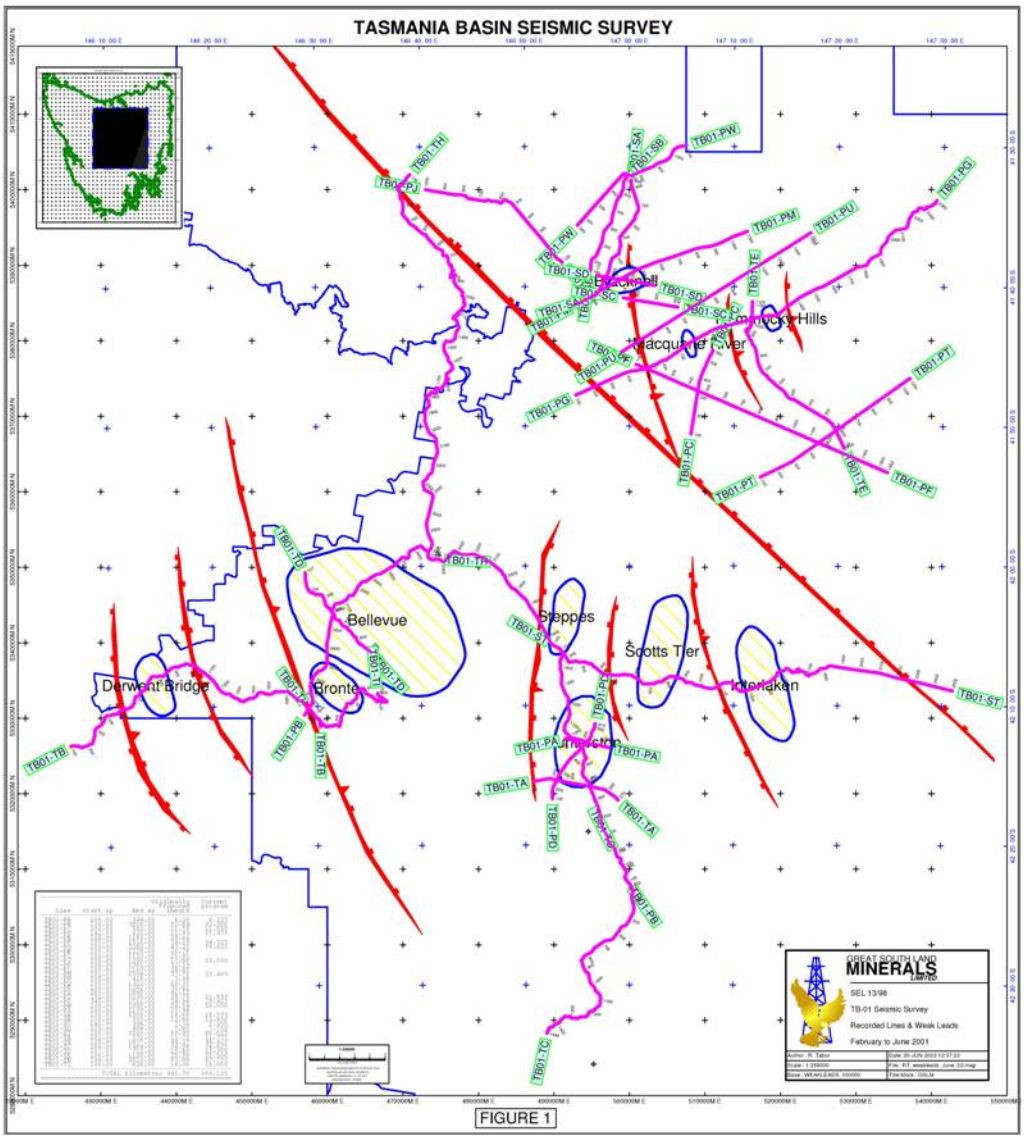

Figure 2: GSLM Regional 2D Seismic Survey (from GSLM SEL 13/1998 2002 Annual Report)

In 1995 the Australian Geological Survey Organization (AGSO) carried out program of deep seismic profiling. The survey was designated AGSO 148 and was carried out offshore, around Tasmania. Fifteen lines were shot and are shown figure 3.

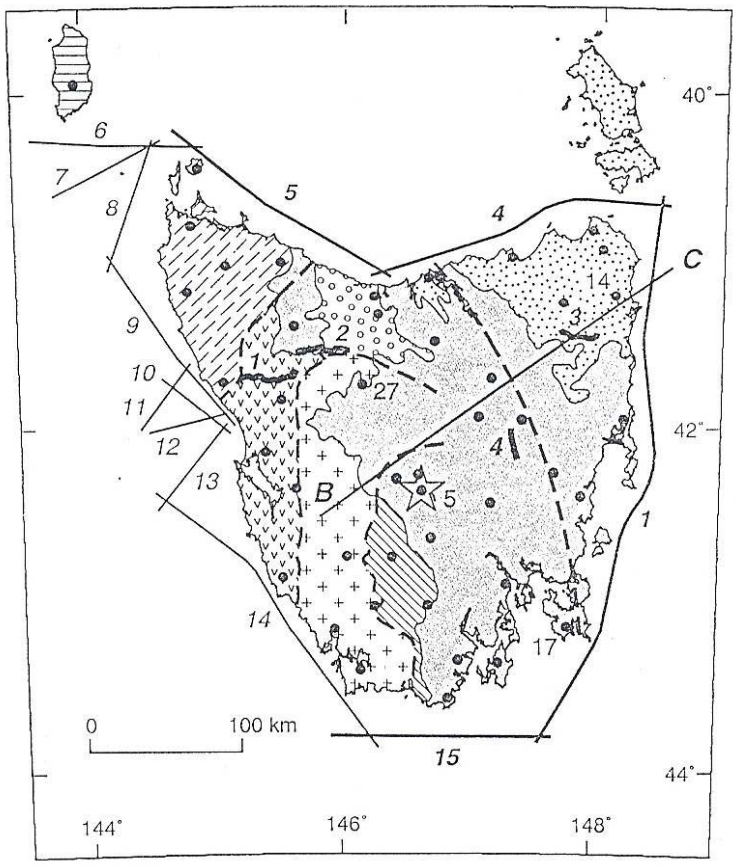

Figure 3: AGSO 148

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

a. The Parmeener Supergroup, a flat-lying Carboniferous to Triassic succession that comprises the sedimentary fill of the Tasmania Basin. Marine sandstone and fractured limestone 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.
b. 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 in Tasmania, OEHL argues that deep fissures formed during the Paleocene, when Tasmania was separating from Australia, in turn created migratory pathways for charging older but shallower traps in the Tasmania Basin with the oil generated in the Bass 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 or since the separation of Tasmania and Australia hydrocarbons migrated through the earlier created fractures into the older but shallower reservoirs of the Tasmanian Basin possibly via the Chat Accommodation Zone.

Exploration Completed Prior to the Report Period

In early 2011 OEHL received permission to conduct a gravity survey if the central portion of the Block and appointed Dynamic Satellite Surveys pty ltd (DSS) to conduct the work. The work was completed early in February and the final report received in May 2011.

The conclusion of the report was that there were a number of clear gravimetric anomalies showing a high degree of correlation with the geological work previously undertaken. The main purpose of the gravity survey was to assist in defining a seismic programme by providing further evidence as to the optimum locations for that survey. It was considered that such refinement would also reduce the disruption to the general public, which tend to arise from wide-area speculative surveys.

Accordingly based on the Report submitted by DSS, a proposal with recommendations for a Seismic Acquisition Survey was prepared by MX Consulting Limited on 14th June 2011. A variety of options as to the number of line kilometres to be acquired were proposed, but all variants included the most prospective sites so far identified at Bass Highway, Weymouth Road and Westwood.

Figure 4: Terrex Seismic Vibro-seis Equipment in SEL 5/2005

After raising a further AUD $1.2 million from shareholders an international tender was issued to invite various seismic contractors to bid for the work. At the same time Bartels Consulting of Hobart (Tas.) was approached to generate the necessary information and approvals for the Seismic Survey from the MRT.

The tender results were disappointing. Although costs were broadly in line with expectation the earliest firm starting date offered was February 2012. After negotiation agreement was eventually reached with Terrex Seismic of Brisbane who offered to bring the programme forward if at all possible.

Walcott & Associates pty ltd was appointed as OEHL's project manager for the duration of the on-site programme. The approval from the MRT was received and the full seismic acquisition programme was achieved between December 2011 and end January 2012. The survey was conducted without any major incidents and was professionally managed by the Project Manager and the contractors.

The raw stacks were provided to DUG who embarked on the Processing phase. Regular progress reports were received from DUG and a number of conference calls were held with OEHL's technical staff. After 4months and over 6 weeks behind schedule it became increasingly apparent that the complexities of the task were beyond the capacity and technical resources of this company. However a final settlement, where DUG and Terrex admitted their results were not satisfactory, was not reached until the end of July 2012.

A new Interpretation and Processing tender was therefore issued and the contract awarded to C-A Petrol Danişmanlik Hiz. San. Tic. Ltd. Şti of Ankara Turkey (CAPD), who planned to report by the end of October 2012. This company was selected on the basis of both its recent relevant experience (CAPD Senior Geoscientist worked in Tasmania in 2007) and the technical and computing resources that it had available.

Exploration Completed During the Report Period

On 24th November 2012 OEHL received the Seismic Reprocessing, Interpretation and Resource Evaluation Report from CAPD. The report is attached for reference.

Overall, the Competent Persons Report estimated the resource potential of the Block SEL 5/2005 to be 290 million barrels of oil in-place and 81.7 million barrels of recoverable oil, in case the resource is oil and 142 billion cubic feet of gas in-place and 121.5 billion cubic feet of recoverable gas in case the resource is gas. The report went on to state that " with additional exploration work such as more seismic data acquisition and exploration well drilling in the area in the years to come, these resource estimate values could change greatly upwards."

The conclusion of the Competent Persons Report is thus highly encouraging and forms a clear base from which to launch a further round of capital raising.

As a result the focus has moved to fund raising. A new investors Information Memorandum was prepared and was ready to be circulated to professional investors by the end of the first quarter 2013. This in the period March 2013 to June 2013 contact was made with potential investors in London, Toronto and New York but so far none of those contacted have been prepared to take the opportunity further. A

visit was therefore made to Australia (Sydney, Brisbane and Melbourne) in June and July 2013 to meet brokers and investment bankers where a number of leads are still reviewing and considering the opportunity.

A further initiative has been launched in September 2013 focussing in investors in Hong Kong, Singapore and Malaysia but no reaction has yet been received.

It is OEHL's perception that market conditions for securing high risk capital are improving and therefore that these efforts will yield positive results in the near future.

OEHL Strategy for 2013/4

The objectives for 2012/3 were to:

a. produce a fully processed and interpreted 2D Seismic that is of an internationally acceptable standard.
b. confirm the most prospective well locations within the block, and
c. obtain a Competent Persons Report – for the purpose of raising additional funding for exploration drilling

These have been achieved.

The objectives for 2013/4 are thus:

a. To secure new investment to fund a comprehensive exploration programme. The cost of bringing equipment to Tasmania and having it available throughout the drilling activity results in exploration onshore in Tasmania being extremely expensive by international standards. This and the perception of the difficulties of operating in Tasmania are significant barriers to raising funding for a frontier exploration province. However, as the world economic condition improves there is reason to believe that investor groups will be identified with the appetite to manage the perceived risks.

b. Subject to identifying and securing investors a AUD$20 million exploration programme it is planned to drill up to 3 exploration wells and compete the necessary accompanying seismic is proposed over a 4 month period, subject to receipt of the necessary permissions being available in a timely manner.

Risk Factors

The main issues facing a successful implementation of the Strategy are:

I) Funding

The world capital markets are less stressed than in the recent past but raising capital on almost any terms for higher risk ventures is still testing. However the worldwide connections of OEHL give a level of confidence that the funding will be attracted on acceptable terms.

II) Availability of Contractors

Availability of suitably qualified and resourced drilling and exploration contractors is an issue in attracting competitive tenders. The level of exploration activity in Australia continues to put exploration in Tasmania at a disadvantage from a point of view of cost and timing. Inevitably OEHL's programme will not be considered as attractive as many on the Mainland and thus it is harder to secure the leading contractors on acceptable terms. Moreover, the experience with the Westwood 1 well emphasises how important 'correct equipment' is to ensure that the well can reach its "Target Depth" without significant deviation and in an acceptable time frame.

III) Drilling Approvals

Although the regulatory and approval regime in Tasmania is clearly supportive of exploration efforts there are political and other factors that can have a material impact on investor perception and therefore on timing.

Figure 5: Hunt Energy Rig 3 at Westwood #1 Location

Environmental Protection

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.

Neither the gravimetric nor the seismic surveys have required any post operational remediation or other activity to comply with the terms of the permissions. In 2012/3 there were no activities with any potential environmental impact within the licence Block.

Summary

OEHL has identified eight drilling locations to date within the SEL 5/2005. Westwood 1 did not reach its target depth and thus was unable to confirm the OEHL theory of oil migration into Tasmania.

OEHL is planning its next three wells based on the results of the Seismic Interpretation Report. OEHL is pleased to note that the Seismic Interpretation Report has confirmed four areas of particular interest including Bass Highway 1, on the coast in north central Tasmania and Weymouth Road 1, Batman Bridge and the Westwood area as highly prospective Drilling these locations will enable the widest capture of geological information in the key areas of the tenement.

Bass Highway 1 has been proposed as exploration well site in the Tasmanian basin in north central Tasmania due to its proximity to the prognosed hydraulic connections to the Bass Basin. 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 anticipated stratigraphic column based on the gravimetric survey and Westwood 1 well log.
2. Investigate presence of potential hydrocarbon bearing formations in the Parmeener Super group;
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 1are 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.

Westwood and Batman Bridge are both prospective site based on the seismic interpretation report and lie on the prognosed trap fault that runs roughly northwest-southeast through the block.

Expenditure

OEHL expenditures for exploration activities on SEL 5/2005 is shown in the following table.

Table 1: OEHL Expenditures.

All AUD$		to 12/2012	to 3/2013	to 6/2013	to 9/2013	TOTAL
Geoscientific costs	Geology	19,932				1,467,913
	Geophysics					242,168
Drilling and gridding costs	Drilling					5,837,176
Land access costs						168,699
Rehabilitation costs						165,176
Feasibility study costs				4,545		371,445
Other costs		685	998	998	998	68,071
Administration costs		2,062	98	98	98	834,013
Total costs 2012/13		22,679	1,096	6,097	1,096	
Cumulative Costs since 2005		9,146,372	9,147,468	9,153,565	9,154,661	9,154,661

These are the costs that correspond to the quarterly returns submitted to the MRT.

In the current reporting period the total amount expended amounts to $ 30,968.

Appendixes

Appendix 1 – OEHL Seismic Reprocessing, Interpretation and Resource Evaluation Report prepared by CAPD dated November 2012

Appendix 2 – Competent Persons Report prepared by Salami A Sehsuvaroglu dated 31st December 2012