



LONGREACH OIL LIMITED

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PLEASE ADDRESS ALL CORRESPONDENCE TO GPO BOX 4246, SYDNEY NSW 2001

20 May 2011

Fax: 9241 7620

and via e-mail: suzanna.dabski@asx.com.au

Manager - Companies
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Attention Ms Suzanna Dabski - Senior Adviser, Listings

Dear Ms Dabski

Re Quarterly Report - Appendix 5B

Reference is made to your letter of 17 May 2011 in respect of the Company's Appendix 5B Quarterly Report for the period ended 31 March 2011, released on 29 April 2011.

Our response to the queries set out in your letter is as follows:

1. During the twelve months to 31 March 2011, the Company's issued share capital increased by \$976,000, following placements of new shares, either for cash or for acquisition of investments and projects. It is submitted that factors such as the ability to raise equity capital should be taken into account when assessing the Company's financial position.

In view of these capital raisings, the Company's ability to issue new share capital, without realisation of some other assets is expected to be also available in the future.

2. Many exploration companies have negative operating cashflows for many years until production from projects commences and in our case, the amounts are small and Directors consider that they do not affect our continued operations. See also above.
3. As stated above, the Company can raise additional share capital and/or sell some of its assets when required. The Company has had negative cashflows for several years, however it has continued to operate for over fifty (50) years and has prevailed despite severe market corrections, recessions and the Global Financial Crisis during that time.
4. The Company confirms that it is in compliance with the Listing Rules and, in particular, listing rule 3.1.
5. As regards Listing Rule 12.2, the Consolidated Balance Sheet as at 31 December 2010 shows assets of \$6,399,428 and liabilities of \$540,194. As can be seen from the Annual Report for the year ended 30 June 2010, apart from its direct interests in various exploration projects and a Petroleum Lease (located in the Surat Basin, Queensland), the Company has indirect investments in oil and gas assets through shareholdings in both listed and unlisted companies.
6. Longreach Oil is also jointly promoting Offshore Oil Ltd, a new Oil and Gas Investment and Exploration Company, which should lead to a successful I.P.O. in due course.

For an on behalf of
Longreach Oil Limited

Peter Hetherington
Secretary

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17 May 2011

Peter Hetherton
Company Secretary
Longreach Oil Limited
Level 9, 82 Elizabeth Street
Sydney NSW 2000

By email: lgo@longreachoil.com

Dear Peter,

Longreach Oil Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 March 2011, released to ASX Limited ("ASX") on 29 April 2011 (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$0.
2. Net negative operating cash flows for the quarter of \$81,000.
3. Cash at end of quarter of \$13,000.

In light of the information contained in the Appendix 5B please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.



Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by e-mail to suzanna.dabski@asx.com.au or by facsimile on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 5:00 p.m. A.E.S.T. on Friday 20 May 2011.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me.

Yours sincerely,

[Sent electronically without signature]

Suzanna Dabski
Senior Adviser, Listings (Sydney)