



LONGREACH OIL LIMITED

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31 January 2012

**e-Lodgement
FOR PUBLIC RELEASE**

Manager - Company Announcements
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Dear Madam

**QUARTERLY ACTIVITIES REPORT
FOR THE QUARTER ENDED 31 DECEMBER 2011**

(ASX code: LGO)

Longreach Oil has direct interests in Oil and Gas and Renewable Energy joint ventures. It also has indirect interests in oil exploration, production and coal exploration through its shareholdings in listed, unlisted and private companies.

Brisbane Petroleum Limited

Longreach Oil holds close to a 20% equity interest in Brisbane Petroleum Ltd (BPL), an unlisted public company.

BPL and Delbaere Associates Pty Ltd recently entered into an agreement to sell to Chelsea Oil Australia Pty Ltd all of their exploration and production assets which they hold in the Surat Basin, Queensland, being 100% of their jointly-owned interests in Petroleum Leases 18 and 40 and the 50% interest owned by BPL in Petroleum Lease 280. The sale was approved by shareholders of BPL at their Annual General Meeting.

When this transaction is completed, BPL will receive consideration comprising deferred cash of US\$1,641,000 in Promissory Notes (with a 12 month maturity and secured over the sale assets) plus shares in a company listed on NASDAQ OTC Bulletin Board Exchange with an agreed value of US\$1,641,000 - a total consideration of US\$3,282,000.

BPL will also be entitled to production royalties of 1.5% on the three Petroleum Leases.

BPL has advised that the cash to be received from the sale will be used to repay liabilities, fund running costs and make a distribution by way of dividends to shareholders. The share component of the consideration can be sold by BPL over time as may be opportune.

Directors of Longreach Oil believe the proposed sale will be beneficial to Longreach, as apart from LGO's shareholding in BPL, based on the value placed by the agreement on the average estimated recoverable oil reserves in Petroleum Lease 280, the value of the 50% interest in that lease held by Longreach Oil is about \$600,000, compared with LGO's book value of \$80,000.

OIL & GAS

- QUEENSLAND - ONSHORE SURAT BASIN

Petroleum Lease 280

P.L. 280 - which comprises 90 sq. kms (about 22,000 acres) - was granted by the Queensland Government on 1 August 2010 for a period of twenty-one years (21 years) to the joint venture comprising Brisbane Petroleum Ltd (BPL), an unlisted public company - 50%, and Longreach Oil - 50%.

There have been several oil and gas producing wells in the area now covered by PL 280 and on the other leases held by BPL. Reports of estimated recoverable oil reserves have been updated in the last 2-3 years.

The oil discoveries were in the McWhirter field, with estimated recoverable oil of up to 600,000 barrels - and the Beardmore field, with up to 800,000 barrels of recoverable oil. The McWhirter No. 1 well was shut-in some years ago, when oil production dropped to around 30 barrels/day, as the oil price at the time was around \$15 per barrel.

Longreach Oil holds close to a 20% interest of the share capital of BPL and will retain a 50% interest in Petroleum Lease 280.

Petroleum Leases No. 18 and No. 40

The Operator, Brisbane Petroleum Ltd, reported that production remained suspended during the quarter. The Yellowbank Creek #3 well in PL 18 requires a workover rig to restore production. In PL 40, both the Narrows-1 and Louise-2 well sites have dried out after major flooding. A pump jack and a storage tank are being moved back to the Narrows-1 well site in order to put this well on pump.

Previous material balance studies of the oil fields within these leases have indicated that there are in the order of 3.7 million barrels to 6.4 million barrels of Remaining Recoverable Oil Reserves.

Brisbane Petroleum Ltd (BPL) currently holds a 50% interest in each of these Petroleum Leases and is the Operator. Longreach Oil holds a 20% equity interest in BPL.

- WESTERN AUSTRALIA

Onshore Carnarvon Basin - EP-439, EP-460 and EP-461

These permits, which are held in a joint venture with Empire Oil & Gas N L and several other companies, remain under-explored. Exploration prospectivity for shale oil and gas over the three areas continues to be examined. Significant shale deposits have been identified in the Perth Basin which may extend into the South Carnarvon Basin.

The Operator has reported that leads defined in the north of EP-439 require further work to define drillable prospects and that interest has been shown for a farm-in to evaluate the Devonian Shales of the Gneudna Formation as a "Shales Gas" play. Geochemical leads in EP-460 require follow-up. All three permits are reported to have shale gas potential.

Longreach Oil currently holds an 11.33% interest in EP-439 and EP-461 and an 11.69% interest in EP-460.

RENEWABLE ENERGY - NEW SOUTH WALES

E.L. 6212 - Hot Rocks - Group 8 Minerals (Geothermal) - Sydney Basin

Exploration Licence 6212 comprises an area of 1,390 km². It is located in the Sydney Basin, extending from near Campbelltown as far as the industrial areas of Wollongong/Port Kembla. E.L. 6212 was renewed in November 2010 until March 2013.

This Exploration Licence targets hot-rocks, deep beneath the Sydney Basin, having potential for electricity generation. The joint venture has already conducted gravity surveys and that data and other geological data is being reviewed to define possible drilling targets within granite intrusions.

A relatively small part of E. L. 6212 covers land within the Dharawal State Conservation Area, which is being resumed by the New South Wales Government.

Proposed drilling sites for deep drilling are being designed to fulfil current work commitments, where two 1,500 metre deep tests are proposed. Potential joint venture parties are being approached to participate in funding the proposed development programme

Longreach Oil holds 50% of E.L. 6212 and Hot Rock Energy Pty Ltd (Operator), an independent private company, holds the other 50%.

COAL INTERESTS

Indonesia

In 2009, the Company invested in a coal mining project in Kalimantan via an interest in an overseas company, with rights to share a fixed sum per tonne of coal sold after sales commenced. For various reasons, mining operations and sales of coal have not commenced and further participation is uncertain. The Company has written down the value of this interest to a nominal amount.

New South Wales

Longreach Oil has a shareholding interest of 20% in a private company which was applying for coal exploration areas in New South Wales. Due to changes in Government policy, decisions regarding the status of these exploration interests cannot be precisely determined at present. The Company has written down this investment in the Fair Value Reserve.

GENERAL

Longreach Oil expects that exploration activity on its Queensland and Western Australian tenements should increase in the future due to the strong prevailing oil prices and renewed interest in oil exploration ventures.

Longreach Oil is seeking new exploration and/or mining projects in Australia and overseas, especially in n Coal, Oil and Gas and Energy.

Longreach Oil has acquired a 20% interest in a private company, Longreach Oil (International) Ltd (incorporated in Hong Kong), with the objective to participate in resource joint ventures with companies from Hong Kong and mainland China.

Longreach Oil is also participating in the promotion of an Oil and Gas Exploration and Investment company, Offshore Oil Ltd, which proposes to acquire equity interests in Australian and overseas oil companies and to participate in Oil and Gas and Energy joint ventures on a global scale.

EXPENDITURE

Expenditure for the quarter was \$43,000.

For and on behalf of

Longreach Oil Limited

Peter Hetheron
Secretary