Oil Basins Limited

ABN 56 006 024 764

Half-year Financial Report - 31 December 2016

Oil Basins Limited
Contents
31 December 2016

Oil Basins Limited
Corporate directory
31 December 2016

Directors	Carl Dumbrell (Non-Executive Director) Daniel Justyn Douglas Peter (Non-Executive Director) Vazrick (Vaz) Hovanessian (Non-Executive Director)
Company secretary	Carl Dumbrell
Registered office	Level 4 100 Albert Road South Melbourne Vic 3205 Telephone: +61 3 9692 7222
Principal place of business	Level 10 65 York Street Sydney NSW 2000 Telephone: +61 3 9692 7222
Share register	Automic Pty Ltd Level 3, 50 Holt Street Surry Hills NSW 2010 Telephone: 1300 288 664
Auditor	Deloitte Touche Tohmatsu Chartered Accountants 550 Bourke Street Melbourne Vic 3000
Stock exchange listing	Oil Basins Limited shares are listed on the Australian Securities Exchange (ASX code: OBL)
Website	www.oilbasins.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Oil Basins Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of Oil Basins Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Carl Dumbrell (Non-Executive Director)
Mr Daniel Justyn Douglas Peters (appointed 12 August 2016)
Mr Vazrick (Vaz) Hovanessian (appointed 12 August 2016)
Mr Neil Doyle (removed 19 September 2016)
Mr Kim McGrath (removed 19 September 2016)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of investment in selected exploration, production and development opportunities in the upstream oil and gas sector.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $1,299,220 (31 December 2015: $232,533).

Financial Position

The net assets of the consolidated entity decreased by $510,870 to $3,256,113 as at 31 December 2016 (30 June 2016: $3,766,983).

The consolidated entity's working capital, being current assets less current liabilities was in deficit at 31 December 2016, by $269,464 (30 June 2016: deficit $514,413). The consolidated entity had a negative cash flow from operating activities of $406,811 for the six months (31 December 2015: $382,098) and expended $82,407 (31 December 2015: $278,203) in relation to exploration and evaluation activities.

Operating results for the year

The consolidated entity made a loss after income tax of $1,299,220 (31 December 2015: $232,533), being an increase of $1,066,687 in expenditure compared to the prior period. This increase is mainly due to the write off of exploration asset EP487 Derby Block Joint venture which totalled $851,057 as OBL intend to dispose its interest to Rey Resources Ltd/ Rey Lennard Shelf Pty Ltd.

Significant changes in the state of affairs

On 13 July 2016, OBL and Ochre Group Holdings Limited (ASX code OGH) entered into a conditional provisional agreement for OGH to assist OBL with advice and financing. An initial short term interest free unsecured loan of $150,000 was provided by OGH. A further $250,000 was provided by OGH in August 2016.

On 9 August 2016, OBL and Ochre Group Holdings Limited (ASX code OGH) and its subsidiary Ochre Capital Management Pty Ltd (Ochre) entered into a mandate agreement for Ochre to provide financial accommodation and ongoing corporate advisory and capital market services for a term of six months. The agreement provided for arrangements in respect of OBL undertaking an underwritten renounceable rights issue for $3 million and up to $5 million with attaching options.

On 9 August 2016, the Company announced that it had repaid the full amount outstanding of AU$155,000 in respect of the Convertible Security Funding Agreement dated 5 November 2015 with The Australian Special Opportunity Fund, LP.

On 11 August 2016, the Company announced that it had agreed the Placement of 36,500,000 fully paid ordinary shares at $0.007 (0.7 cents) per share raising a gross amount of $255,500 (before costs).

On 24 August 2016, the Company entered an agreement with Ochre Group Holdings Limited (OGH) and its wholly owned subsidiary, Ochre Capital Management Pty Limited (Ochre), for the sale of its wholly owned subsidiary, Oil Basins Royalties Pty Limited (OBR). OBR owns 2% royalty agreement in Vic/P47, Derby Block EP 487, Cyrano R3/R1. The Loan will be extinguished in lieu of the transfer of shares in OBR. OBL and OGH agreed to terminate the rights issue as part of this transaction.

On 7 September 2016, the company announced a Share Purchase Plan offer to all shareholders registered on the Company's share register.

On 21 October 2016, the company announced that the Share Purchase Plan has successfully raised $315,000 before costs. OBL allotted 39,375,000 fully paid ordinary shares at an issue price of $0.008 (0.8 cents) on 26 October 2016.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year
In March 2017 the company has decided to withdraw from its position as a 50% Joint Venture Partner in EP487.

Rey Resources Limited (REY) holds 50% of EP487 via its subsidiary company Rey Lennard Shelf Pty Ltd (RLS). RLS is the Operator of EP487. OBL has executed a binding Asset Sale Agreement to transfer its 50% ownership of EP487 to Rey Derby Block Pty Ltd, which is a further subsidiary of REY.

The transfer will occur at a nominal value and will relieve OBL of any funding obligations under the current Joint Operating Agreement. This relief includes the waiver of approximately $577,000 of existing cash calls made by REY on OBL and a further $32,000 of legal fees outstanding from historical disputes. The transfer will affect a full settlement of all claims between REY and OBL in relation to the Derby Block.

The Asset Sale Agreement has two Conditions Precedent requiring both approval of the asset transfer by the Foreign Investment Review Board and approval under the Western Australian Petroleum Legislation. As part of the asset sale, RDB will formally assume the royalty payment obligations of OBL in respect of its interest in EP487 owed to OBL's subsidiary Oil Basins Royalties Pty Ltd.

OBL has determined that the Derby Block no longer remains a core asset for the Company as OBL is not willing to fund its 50% commitment to the EP487 work program and is not prepared to raise the capital to do so.

For this reason OBL has decided to withdraw from EP487 and will focus on the continued assessment and conceptual studies for development of the Company's Offshore Permit VIC/P47 in the Gippsland Basin. VIC/P47 contains the Judith Gas Field which is located 2km from the Kipper Field currently being developed by Esso Australia Resources, BHP Billiton and Mitsui

No other matters or circumstances has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Carl Dumbrell
Non-Executive Director

16 March 2017

Deloitte.

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16 March 2017

The Board of Directors
Oil Basins Limited
Level 4
100 Albert Road
SOUTH MELBOURNE VIC 3025

Dear Board Members

Oil Basins Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Oil Basins Limited.

As lead audit partner for the review of the financial statements of Oil Basins Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountant

Oil Basins Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Revenue		1,486	1,488
Other income	3	251,666	78,890
Expenses			
Administration & corporate expenses		(209,061)	(140,406)
Employee benefits expense		(231,100)	(142,873)
Share based payments		-	(21,000)
Depreciation and amortisation expense		(1,109)	(8,132)
Impairment of AFS financial assets		-	(500)
Exploration expenditure written off		(851,057)	-
Net loss on financial derivatives	3	(80,194)	-
Finance costs		(179,851)	-
Loss before income tax expense		(1,299,220)	(232,533)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Oil Basins Limited		(1,299,220)	(232,533)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of Oil Basins Limited		(1,299,220)	(232,533)
		Cents	**Cents**
Basic earnings per share	15	(0.13)	(0.02)
Diluted earnings per share	15	(0.13)	(0.02)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Oil Basins Limited
Statement of financial position
As at 31 December 2016

	Note	Consolidated 31 December 2016 $	30 June 2016 $
Assets			
Current assets			
Cash and cash equivalents		332,512	24,308
Trade and other receivables		151,925	62,562
Asset held for sale	4	547,725	-
Other		118,785	284,554
Total current assets		1,150,947	371,424
Non-current assets			
Fair value of financial investments	5	1,700	1,700
Property, plant and equipment		-	1,733
Petroleum exploration expenditure	6	3,523,877	4,277,963
Total non-current assets		3,525,577	4,281,396
Total assets		4,676,524	4,652,820
Liabilities			
Current liabilities			
Trade and other payables		1,020,411	656,424
Borrowings	7	400,000	-
Convertible note		-	30
Other financial liabilities		-	229,383
Total current liabilities		1,420,411	885,837
Total liabilities		1,420,411	885,837
Net assets		3,256,113	3,766,983
Equity			
Issued capital	8	23,248,465	22,460,115
Reserves	9	267,870	267,870
Accumulated losses		(20,260,222)	(18,961,002)
Total equity		3,256,113	3,766,983

The above statement of financial position should be read in conjunction with the accompanying notes

Oil Basins Limited
Statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2015	22,010,313	(17,015,991)	582,900	5,577,222
Loss after income tax expense for the half-year	-	(232,533)	-	(232,533)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	(232,533)	-	(232,533)
Transactions with owners in their capacity as owners:				
Issue of options	-	-	107,861	107,861
Loss on revaluation of AFS assets	-	-	(500)	(500)
Issue of shares	327,462	-	-	327,462
Costs of capital raising	(8,839)	-	-	(8,839)
Balance at 31 December 2015	22,328,936	(17,248,524)	690,261	5,770,673

Consolidated	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2016	22,460,115	(18,961,002)	267,870	3,766,983
Loss after income tax expense for the half-year	-	(1,299,220)	-	(1,299,220)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	(1,299,220)	-	(1,299,220)
Transactions with owners in their capacity as owners:				
Issue of shares	806,480	-	-	806,480
Costs of capital raising	(18,130)	-	-	(18,130)
Balance at 31 December 2016	23,248,465	(20,260,222)	267,870	3,256,113

The above statement of changes in equity should be read in conjunction with the accompanying notes

Oil Basins Limited
Statement of cash flows
For the half-year ended 31 December 2016

	Consolidated	
	31 December 2016 $	**31 December 2015 $**
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(658,645)	(383,585)
R&D Tax Incentive Concession	251,666	-
	(406,979)	(383,585)
Interest received	1,486	1,487
Interest and other finance costs paid	(1,318)	-
Net cash used in operating activities	(406,811)	(382,098)
Cash flows from investing activities		
Payments for exploration and evaluation	(82,407)	(278,203)
Net cash used in investing activities	(82,407)	(278,203)
Cash flows from financing activities		
Proceeds from issue of shares	570,550	183,963
Proceeds from borrowings	400,000	380,000
Payments for capital raising costs	(18,128)	(8,839)
Repayment of borrowings	(155,000)	-
Net cash from financing activities	797,422	555,124
Net increase/(decrease) in cash and cash equivalents	308,204	(105,177)
Cash and cash equivalents at the beginning of the financial half-year	24,308	335,215
Cash and cash equivalents at the end of the financial half-year	332,512	230,038

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Oil Basins Limited as a consolidated entity consisting of Oil Basins Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Oil Basins Limited's functional and presentation currency.

Oil Basins Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 4 100 Albert Road South Melbourne VIC 3205	Level 10 65 York Street Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Basis of preparation
The consolidated financial statements have been prepared on the basis of historical cost. Historical cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian Dollars, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and simultaneous realisation and settlement’.

Note 2. Significant accounting policies (continued)

AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'
AASB 134 Interim Financial Reporting– clarifies that certain information required by the Standard can be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.
Amends AASB 101 Presentation of Financial Statements to provide clarification regarding the disclosure requirements in AASB 101, including narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.

The amendments provide additional guidance in the following areas:

- **Materiality**. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information (2) materiality considerations apply to the all parts of the financial statements and (3) even when a standard requires a specific disclosure, materiality considerations still apply, i.e. a specific disclosure is not required to be included in the financial report if it is not material to the entity

- **Statement of financial position and statement of profit or loss and other comprehensive income**. The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss

- **Notes.** The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes rather than being presented in the order previously included in AASB 101.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Company's consolidated financial statements.

AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)
The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Company's financial statements.

Going concern
The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the six months ended 31 December 2016, the consolidated entity incurred a loss after tax of $1,299,220 (2015: $232,533) and had net cash outflows from operating and exploration activities of $489,218 (2015: $660,301). At 31 December 2016 the consolidated entity had negative net current assets of $269,464 (30 June 2016: $514,413)

During and since the end of the financial period, the directors have taken a number of actions to ensure the consolidated entity can continue to fund its operations and further explore and develop the consolidated entity's tenements. These steps comprise:-

Note 2. Significant accounting policies (continued)

1. The proposed sale of Oil Basins Royalties Pty Ltd to Ochre Group Holdings Limited (OGH) in exchange for full settlement of the loan provided by OGH of $400,000
2. Ending all executive salaries, saving the company over $400,000 per annum
3. Ending all contracts with unnecessary staff, saving the company over $150,000 per annum
4. Changing suppliers and reviewing all supply agreements, saving the company over $150,000 per annum
5. Reducing the monthly cash spend
6. Only investing in projects which will lead to a return for shareholders
7. The company receiving an R&D Tax refund in the fourth quarter of 2016 of $251,666 (net of costs) and the company budgeted to receive a R&D Tax refund in 2017 of a similar amount, based on eligible expenditure.
8. Paying all directors fees in equity rather than cash
9. Disposal of non-core assets, including EP487 as the company does not support the future drilling work program. This will save the company over $10,000,000 in 2017

The consolidated entity currently does not have any production income and in order to continue as a going concern is therefore reliant on achieving a combination of the following matters:

a) Raising additional equity capital or debt funding;
b) Receiving the proceeds from either the full or partial sale of its existing tenement portfolio;
c) Securing farm-out arrangements of its existing tenement portfolio or obtaining approval for the deferral of the current work programs;
d) Continued financial support of related parties.

The directors of the consolidated entity have prepared a detailed cash flow forecast through to 31 March 2018 and based on the budgeted expenditure the consolidated entity will be required to raise additional funds (through the methods set out above) with a minimum overall raising over the next twelve months of approximately $400,000 with at least $200,000 being required no later than June 2017.

Cash flow forecasts prepared by management demonstrate that the consolidated entity has sufficient funds to meet its commitments over the next twelve months based on the above factors and for this reason the financial statements have been prepared on the basis that the consolidated entity is a going concern.

In the event that the consolidated entity is unsuccessful in the matters set out above, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 3. Other income

	Consolidated	
	31 December 2016 $	31 December 2015 $
Research and development tax concession	251,666	78,890
Net loss on financial derivatives	(80,194)	-

Note 4. Current assets - asset held for sale

	Consolidated 31 December 2016 $	30 June 2016 $
EP 487 Derby Block	547,725	-

Note 5. Non-current assets - Fair value of financial investments

	Consolidated 31 December 2016 $	30 June 2016 $
Available-for-sale investments	1,700	1,700

All financial assets held by the consolidated entity at fair value are valued in accordance AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 31 December 2016.

Note 6. Non-current assets - petroleum exploration expenditure

	Consolidated 31 December 2016 $	30 June 2016 $
Exploration and evaluation - at cost	3,523,877	4,277,963

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Exploration $	Total $
Balance at 1 July 2016	4,277,963	4,277,963
Capitalised expenditure	644,696	644,696
Reclassification to asset held for sale	(547,725)	(547,725)
Impairment of assets	(851,057)	(851,057)
Balance at 31 December 2016	3,523,877	3,523,877

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

A review of the company's tenement areas was undertaken at the end of the calendar year and management made the decision to write off the carrying value of exploration expenditure totalling $851,057 in relation to EP487 Derby Block JV where OBL intends to dispose of its interest to Rey Resources Ltd/Rey Lennard Shelf Pty Ltd.

Note 7. Current liabilities - borrowings

	Consolidated 31 December 2016 $	30 June 2016 $
Loan - Ochre Group Holdings Ltd	400,000	-

Note 7. Current liabilities - borrowings (continued)

On 24 August 2016, OBL entered an agreement with Ochre Group Holdings Ltd (OGH) and its wholly owned subsidiary, Ochre Capital Management Pty Ltd for the sale of its wholly owned subsidiary, Oil Basins Royalties Pty Ltd (OBR) which owns the following royalties:

- 2% in Vic/P47
- 2% (effective) in Derby Block EP487; and
- 2% in Cyrano R3/R1

The consideration for the sale will be the loan of $400,000 by OGH to OBL. The Loan will be extinguished in lieu of the transfer of shares in OBR.

The sale of OBR is subject to satisfactory due diligence in relation to OBR and the royalties and the execution of a Sale and Purchase Agreement between the parties and obtaining any necessary approvals.

Note 8. Equity - issued capital

	Consolidated			
	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 $	30 June 2016 $
Ordinary shares - fully paid	244,393,811	145,845,718	23,323,465	22,535,115
Treasury shares	-	-	(75,000)	(75,000)
	244,393,811	145,845,718	23,248,465	22,460,115

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2016	145,845,718		22,535,115
Placement	11 August 2016	36,500,000	$0.007	255,550
Issue of shares in lieu of share purchase plan	26 October 2016	39,375,000	$0.008	315,000
Issue of shares in lieu of directors fees	29 December 2016	22,673,093	$0.0036	80,930
Issue of conversion shares to Lind	31 December 2016	-	-	155,000
Costs of capital raising		-		(18,130)
Balance	31 December 2016	244,393,811		23,323,465

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Treasury shares
The Treasury shares listed above relate to the collateral shares issued to Lind as part of the convertible note funding arrangement.

Note 9. Equity - reserves

	Consolidated	
	31 December 2016	**30 June 2016**
	$	**$**
Options reserve	267,870	267,870

Movements in reserves
Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Options reserve $	Total $
Balance at 1 July 2016	267,870	267,870
Balance at 31 December 2016	267,870	267,870

Note 10. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 11. Contingent liabilities

As a result of participation in the Nyikina Mangala native title case (WAD6099/1998), the Company was presented by the Kimberley Land Council (‘KLC’) on behalf of the native title applicants with Bills of Costs for $186,548 and then $77,432. The first amount has been taxed down to $161,248.23 while the latter amount has not yet been taxed. The Company has formally objected to these Bills of Costs saying the native title applicants (and therefore the Company) have no legal liability to pay these costs as there was no agreement to do so and the KLC (the representative body) is federally funded for this purpose and provides the services without invoice or cost to the native title applicants. The amount of $161,248.23 has meanwhile been paid into a solicitor’s account (50% by OBL and 50% by REY) and the obligation to pay the taxed amount has been stayed by the Federal Court.

Any adjustment arising from the result of the taxing process, the Full Federal Court appeal or any settlement reached, may impact future cash flows.

Other than its own costs of such appeal, if the matter is unsuccessful on appeal (and no appeal is made to the High Court) then OBL will be further liable for the taxed amounts resulting from the Bills of Costs referred to above and any additional Bill of Costs of the Applicants relating to the Full Federal Court appeal. Equally if the appeal to the Full Federal Court is successful (without further appeal) then OBL will recover the monies paid into the solicitor’s account together with its taxed costs of all proceedings to date concerning the costs issue and will avoid liability for the additional Bills of Costs totalling almost $164,000 from the Applicants.

The company has received a notice from Mr Kim McGrath following his removal from office under Section 249D of the Corporation Act 2001 by the company shareholders on 19 September 2016. Mr McGrath claims he is owed for unpaid salary and entitlements of $150,972.42.

Subject to legal advice the board believes that a substantial part of this balance may not be payable.

Note 12. Commitments

	Consolidated 31 December 2016 $	30 June 2016 $
Exploration and evaluation		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	278,000	3,426,000
One to five years	616,295	6,509,004
More than five years	-	625,000
	894,295	10,560,004

The consolidated entity has interests in exploration and evaluation permits. These interests give rise to expenditure commitments.

VIC/P47

The company applied to the National Offshore Petroleum Titles Administrator (NOPTA) in November 2016 for a suspension and extension of the duration of the Vic/P47 exploration permit in November 2016. This application was granted in January 2017.

The Vic/P47 permit is located within Australia's premier oil and gas province, the offshore Gippsland Basin, Bass Strait. The Basin is home to the Patricia Baleen (gas), Longtom (gas/condensate), Kipper (gas/oil) and Tuna (gas / oil) permits.

Vic/P47 permit covers 202km2 containing the Judith and Moby conventional gas fields. Two-gas discovery wells have been previously drilled within the permit.

Moby-1 was drilled by Bass Strait Oil in 2004. The Judith-1 well was drilled by Shell in 1989 and discovered gas in multiple tight alluvial fan sandstones of the Admiral Formation, Emperor Subgroup.

The Judith Gas Field is located some 2 km north of the Kipper Gas Field and 15 km SSE of the Patricia/Baleen gas fields. A volumetric assessment of the Judith accumulation by Gaffney Cline and Associates in 2013 estimated the P50 contingent Gas Resource at 101 BCF.

The suspension and extension of the permit provides OBL with additional time to complete reprocessing of historic 3D Seismic data across the permit area. The seismic data was initially acquired from seismic surveys completed by Esso/BHP Billiton in 2001-02 and Bass Strait Oil in 2006.

When completed at the end of June 2017 the seismic reprocessing will:

- Further define the extent and detail of the Judith and Moby structures
- Determine the extent of sandstone reservoirs discovered in Judith-1 and Moby-1
- Provide data to attain an improved estimate of the gas resources at both Judith and Moby
- Provide data to optimize a drilling location and allow detail planning of a directionally drilled production well "flightpath" to optimise gas resource recovery.

The granting of this permit suspension and extension is a key step forward for OBL as the Company progresses to rationalize its exploration assets retaining only those assets considered to offer potential to deliver real value to the Company.

Backreef area

There are no work program obligations apart from routine well head monitoring in 2016/17. A site visit was held in June 2015 to review the rehabilitation works at East Blina-1 conducted in October 2014. The Company is seeking farmin interest for up to 50% in 2016/2017 which will greatly reduce future exposures. In June 2016 and ahead of the 30 June 2016 deadline, OBL successfully reported as operator under the new DMP Guidelines on the status of the suspended well Backreef-1. Backreef Area is in good standing.

Note 12. Commitments (continued)

Cyrano R3/R1

Oil Basins Limited is operator and has 100% interest of tenement - for a period of 5 years, expiring Oct 2021, the Company intends to renew this application with an average annual expenditure commitment of $115,000 (to encompass further engineering and economic studies).

Under the work program OBL is required to spend a minimum $100k over the next 12 months (including management time). Given OBL conducted a large number of technical studies in 2015 and the current low oil price a more modest spend is budgeted in 2016 (management time only).

Work program: The Company successfully booked 3.0 million barrels oil 2P reserves in May 2015. Once modern equipment has been selected for the EPT Study, new dynamic reservoir simulation studies are planned for late 2018/2019 (Year 2 and Year 3 of the proposed renewal).

No adjustments have been made relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern, particularly the write down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Derby Block

The company has decided to effectively withdraw from its position as a 50% Joint Venture Partner in EP487. Further information Is outlined in Note 14.

Note 13. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**31 December 2016 %**	**30 June 2016 %**
OBL Backreef No.10 Pty Ltd	Australia	100.00%	100.00%
Canning Basin Oil Limited	Australia	100.00%	100.00%
Wantok Oil Limited	Papua New Guinea	100.00%	100.00%
Oil Basins Royalties Pty Ltd	Australia	100.00%	100.00%
Shelf Oil Pty Ltd	Australia	100.00%	100.00%
Backreef Energy Pty Ltd	Australia	100.00%	100.00%

Note 14. Events after the reporting period

In March 2017 the company has decided to withdraw from its position as a 50% Joint Venture Partner in EP487.

Rey Resources Limited (REY) holds 50% of EP487 via its subsidiary company Rey Lennard Shelf Pty Ltd (RLS). RLS is the Operator of EP487. OBL has executed a binding Asset Sale Agreement to transfer its 50% ownership of EP487 to Rey Derby Block Pty Ltd, which is a further subsidiary of REY.

The transfer will occur at a nominal value and will relieve OBL of any funding obligations under the current Joint Operating Agreement. This relief includes the waiver of approximately $577,000 of existing cash calls made by REY on OBL and a further $32,000 of legal fees outstanding from historical disputes. The transfer will affect a full settlement of all claims between REY and OBL in relation to the Derby Block.

The Asset Sale Agreement has two Conditions Precedent requiring both approval of the asset transfer by the Foreign Investment Review Board and approval under the Western Australian Petroleum Legislation. As part of the asset sale, RDB will formally assume the royalty payment obligations of OBL in respect of its interest in EP487 owed to OBL's subsidiary Oil Basins Royalties Pty Ltd.

OBL has determined that the Derby Block no longer remains a core asset for the Company as OBL is not willing to fund its 50% commitment to the EP487 work program and is not prepared to raise the capital to do so.

For this reason OBL has decided to withdraw from EP487 and will focus on the continued assessment and conceptual studies for development of the Company's Offshore Permit VIC/P47 in the Gippsland Basin. VIC/P47 contains the Judith Gas Field which is located 2km from the Kipper Field currently being developed by Esso Australia Resources, BHP Billiton and Mitsui

No other matters or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 15. Earnings per share

	Consolidated	
	31 December 2016 $	31 December 2015 $
Loss after income tax attributable to the owners of Oil Basins Limited	(1,299,220)	(232,533)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	963,722,958	1,100,144,969
Weighted average number of ordinary shares used in calculating diluted earnings per share	963,722,958	1,100,144,969
	Cents	**Cents**
Basic earnings per share	(0.13)	(0.02)
Diluted earnings per share	(0.13)	(0.02)

Oil Basins Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Carl Dumbrell
Non-Executive Director

16 March 2017

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Independent Auditor's Review Report to the Members of Oil Basins Limited

We have reviewed the accompanying half-year financial report of Oil Basins Limited, which comprises the condensed statement of financial position as at 31 December 2016, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Oil Basins Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Oil Basins Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oil Basins Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of $1,299,920 and had net cash outflows from operating and exploration activities of $489,218 during the half year ended 31 December 2016. These conditions, along with other matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 16 March 2017