

Oil Basins Limited

ABN 56 006 024 764

Annual Report - 30 June 2014

Oil Basins Limited
Contents
30 June 2014

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Oil Basins Limited
Corporate directory
30 June 2014

Directors	Kim W McGrath (Executive Chairman) Neil F Doyle (Executive Director and CEO) Nigel H Harvey (Non-Executive Director)
Company secretary	Justin Mouchacca
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Ph: (03) 9692 7222 Fax: (03) 9077 9233
Principal place of business	Level 4, 100 Albert Road South Melbourne, VIC 3205
Share register	Computershare Investor Services Pty Ltd 452 Johnson Street Abbotsford VIC 3067 Telephone: (03) 9415 5000
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) ASX code shares: OBL
Website	www.oilbasins.com.au

Highlights during the 12 months ended 30 June 2014 as per previous ASX releases

The Company advanced the following projects in its exploration portfolio as follows:

DERBY BLOCK

- The application for Canning Basin exploration permit 5/07-8EP (**Derby Block**), the Company received a favourable Federal Court decision on 23 December 2013 when the judgement comprehensively dismissed the native title party appeal from the 1 February 2013 arbitration determination of the National Native Title Tribunal.
- Subsequent to the 31 December 2013 reporting date, on 28 February 2014 OBL was formally offered by the WA DMP the offer documents and Request for Grant pro-forma for Application 5/07-8 EP.
- On behalf of Joint 5/07-8 EP Applicants, OBL as operator on 7 March 2014 formally lodged acceptance of the offer.
- On 21 March 2014, the Company was formally advised by the Minister for Mines and Petroleum of the grant of petroleum exploration permit **EP 487 (Derby Block)** effective from 14 March 2014.
- OBL as Operator immediately called meetings with affected permit parties and prepared tenders for the 2014 Work Program and met with the Department of Mines and Petroleum to review and discuss/revise the work program to take into account DMP advice.
- Despite non-attendance by other stakeholders, EP 487 Derby Block operations commenced. Presently OBL is paying 100% of the work program cash calls as it is in dispute with former application partner Backreef Oil Pty Ltd for non-payment of cash calls since 14 March 2014. OBL has taken this matter to the WA District Court for expedited resolution in October 2014.
- In addition, OBL is seeking resolution of the ownership of EP 487 and has commenced legal action at the WA State Administrative Tribunal to effectively attain 100%. The hearing was on 18 September 2014 and is proceeding by additional submissions without a further hearing expected.

BACKREEF AREA

- Finalising the increase in its beneficial holding in the Backreef Area, Canning Basin from 80% to 100% for the issue of 25 million OBL ordinary shares issued at 2.0 cents per share after receiving a final payment of circa \$39,000 to the Company and acquisition of Green Rock Canning Basin Pty Ltd.
- On 31 July 2013, the Company announced the result of the independent assessment by 3D-Geo Pty Ltd of deep tight oil potential of the Kimberley Downs Embayment within the Backreef Area (OBL group 100% beneficial rights) in accordance with PRMS.
- The 3D-Geo Pty Ltd assessment of the deep tight oil potential within the Backreef Area (OBL group 100% beneficial rights) located solely within the Virgin Hills sandstone formation of risked potential recoverable PRMS resources:
 - *P90: 139 MMbbls + 119 BCF*
 - *P50: 391 MMbbls + 370 BCF*
 - *P10: 1.07 Billion bbls + 1.07 TCF*
- The assessed prospective resources ignored the further USO potential of the deeper and underlying Gogo shale formation (prognosed regional source rock) and the shallower prognosed Windjanna shale within the Kimberley Downs Embayment within the Backreef Area.
- Finalisation of all environmental submissions relating to the Backreef Area continues.
- The Backreef Area work program within production licence L6 remains entirely discretionary

GIPPSLAND

- Finalising the restructuring (at modest cost) of its non-operated Gippsland Basin interests.
 - 35.435% Vic/P41 – held 17.935% direct and 17.5% indirect via wholly owned subsidiary Shelf Oil Pty Ltd.
 - Following extension and variation by regulator NOPTA acquired 25% Vic/P47 – held 12.5% direct and 12.5% indirect via wholly owned subsidiary Shelf Oil Pty Ltd.
 - Both interests were acquired from Strategic Energy Resources Limited (ASX code SER) for a combined 13.0 million new OBL ordinary shares issued at 2.0 cents per share.
 - Vic/P47 host two undeveloped gas discoveries – Judith Gas Field (1989) and Moby Gas Field (2005) which latter was recently designated a Location. Combined recoverable 2C and P50 gas resources are estimated at circa 120 Bcf.
 - With this increased strategic footprint within known highly prospective “gassy blocks” in offshore Gippsland, OBL expects to capitalise on the renewed interest under the expected high gas price regime in conventional oil and gas exploration, with well-established and underutilised gas hub and pipeline infrastructure nearby for accessing all east coast gas markets.
 - OBL is presently seeking to divest Shelf Oil for a backcost and promote.

CARNARVON

- Work continues on assessing the contingent resources within Retention Lease R3/R1.
- Focus is on the Mardie Greensand formation reservoir.
- Post year end, OBL has successfully attained a 2.0% over-riding royalty interest (ORRI) over all hydrocarbons produced in Retention Lease R3/R1. The 2.0% ORRI is held by OBL wholly owned subsidiary Oil Basins Royalties Pty Ltd.

EXPLORATION OPERATIONS

Derby Block (refer to Figures 1 and 2)

During the June quarter, OBL as a duly registered titleholder and operator of EP 487 commenced field operations with a reconnaissance survey for Class 1 Flora and Fauna Survey over the route of the Year 1 Work Program obligation 500 line km of 2D seismic.

- Commencing in early April 2014, OBL conducted a tender process to appoint an environmental consultant on behalf of the EP 487 Joint Venture. After reviewing proposals in early May, the Company appointed *ecologia* Environmental Consultants Pty Ltd (**ecologia**), a Perth based subsidiary of ASX listed Resource Development Group Ltd (ASX code **RDG**), to provide environmental consultancy services to the Joint Venture.
- OBL has obtained land access agreements with all affected landowners, and senior management have met all impacted station managers and stakeholders.
- With no agreement from a Joint Venture Meeting called by OBL on 12 April 2014, OBL as operator advised all impacted EP 487 partners and potential partners (Backreef Oil Pty Ltd, Octanex NL (ASX code **OXX**) and Buru Energy Limited (ASX code **BRU**)) that it will as operator fund this initial survey in the interim so as to maintain the permit in good standing and not lose critical time deadlines (eg short-duration wildflower blooming season was closing rapidly in May/June 2014). The accurate cataloguing of native, and possibly rare, plants is integral to the environmental impact assessment to ensure that EP 487 permit holders remain compliant and to enable a valid Environmental Plan for the proposed 500km Seismic Survey to be lodged in 3Q2014

- Pursuant to the DMP grant of title covering letter dated 14 March 2014 requesting a meeting with the DMP within 30 days, OBL as operator EP 487 arranged an appropriate meeting on 29 April 2014 to present forward plans for the two-year forward activities to ensure that all EP 487 titleholders remain fully compliant.
- OBL presented to the DMP the overall objectives of the first two-year work program with specifically the focus upon exploration for Unconventional Shale Gas (**USG**) and recognising the eastern portion of the permit is on-trend to nearby USG exploration successes at Paradise and Valhalla (refer to Figure 3). OBL presented the independent assessment of 3D-Geo Pty Ltd (**3D-Geo**) who have assessed the EP 487 Derby Block to contain circa gross P50 18.9 Tcf Gas and circa 461 MMbbls of associated condensate potential prospective recoverable unrisks resources according to SPE PRMS (down to 4000m cut-off) and gross Mean circa 31.2 Tcf Gas and circa 801 MMbbls of associated condensate potential prospective recoverable unrisks resources according to SPE PRMS (down to 5000m cut-off).
- On the DMP's suggestion, modifications were made to the draft seismic survey to avoid crossing adjacent third party permit boundaries, not to encroach within the Curtain Air Base perimeter boundary, and not to approach within 600m of proclaimed environment reservations and 2km of townships.
- Additionally, honouring a verbal undertaking with WA Greens MP Robin Chapple, who is also a Derby resident, OBL's final seismic survey will not come within 10 km of the Town of Derby.
- All recommendations have been adopted by OBL and new maps have been prepared by its technical consultant 3D-Geo Pty Ltd with the assistance of WA Government cadastral surveyor Landgate (refer to Figure 2).
- In mid-May 2014, OBL senior management, with its newly appointed Broome based OBL Area Manager and *ecologia* Project Leader, met on-site with representatives of all landowners and affected stakeholders and has also conducted a helicopter survey of the proposed work program route to identify and map drop zones (personnel and fuel) and existing cleared tracks for road access on the above properties (Figure 3).
- As required under the *Petroleum and Geothermal Energy Resources Act 1967*, all affected landowners impacted by the proposed non-invasive Class 1 Flora and Fauna Survey (**F&F Survey**) were duly contacted and all necessary consents were received prior to the survey being conducted.
- The F&F Survey was successfully completed on 20 June 2014 without incident (and importantly within the wildflower blooming period).
- Ecologia is presently working on identifying the material collected and incorporating this new information into the EP 487 Generic Environmental Plan which will be expanded to include seismic, drilling and production testing operations (based upon OBL's and *ecologia*'s experience with the nearby Backreef Area operations).
- During the week of 15 September 2014, with appropriate landowner and stakeholder consents, a small team from *ecologia* revisited EP 487 in conjunction with seismic contractor Terrex to review and access additional Flora and Fauna collections at the proposed camp sites for the proposed 2D seismic survey.

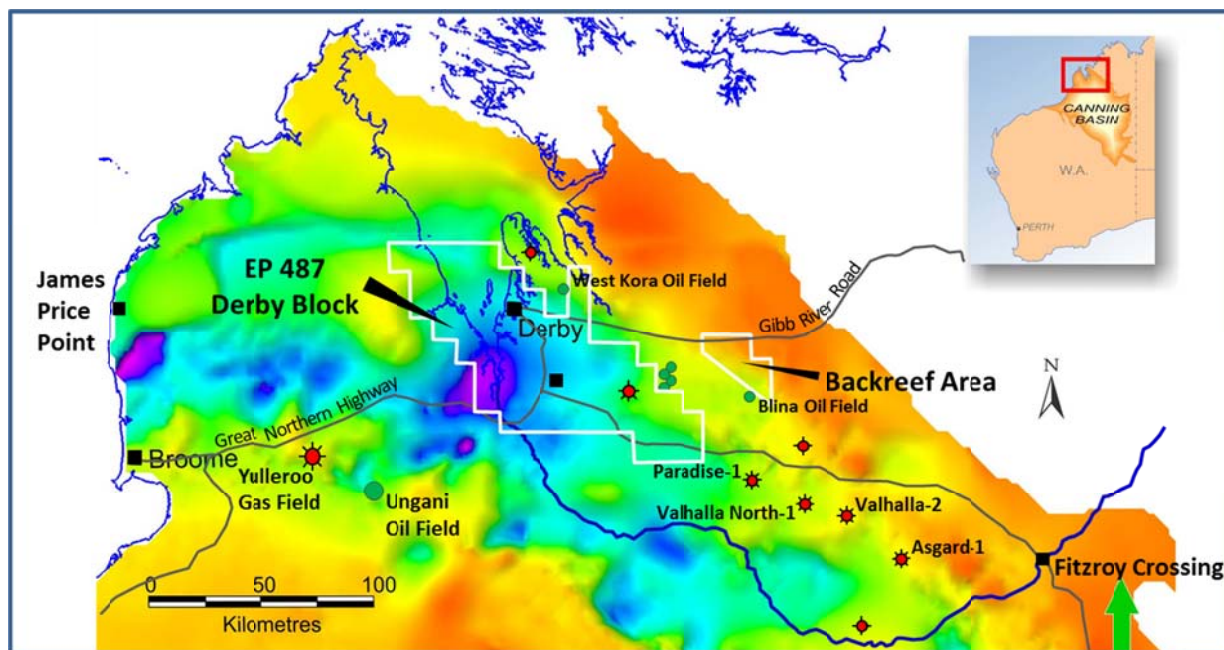


Figure 1
Company's Exploration Interests in the Canning Basin

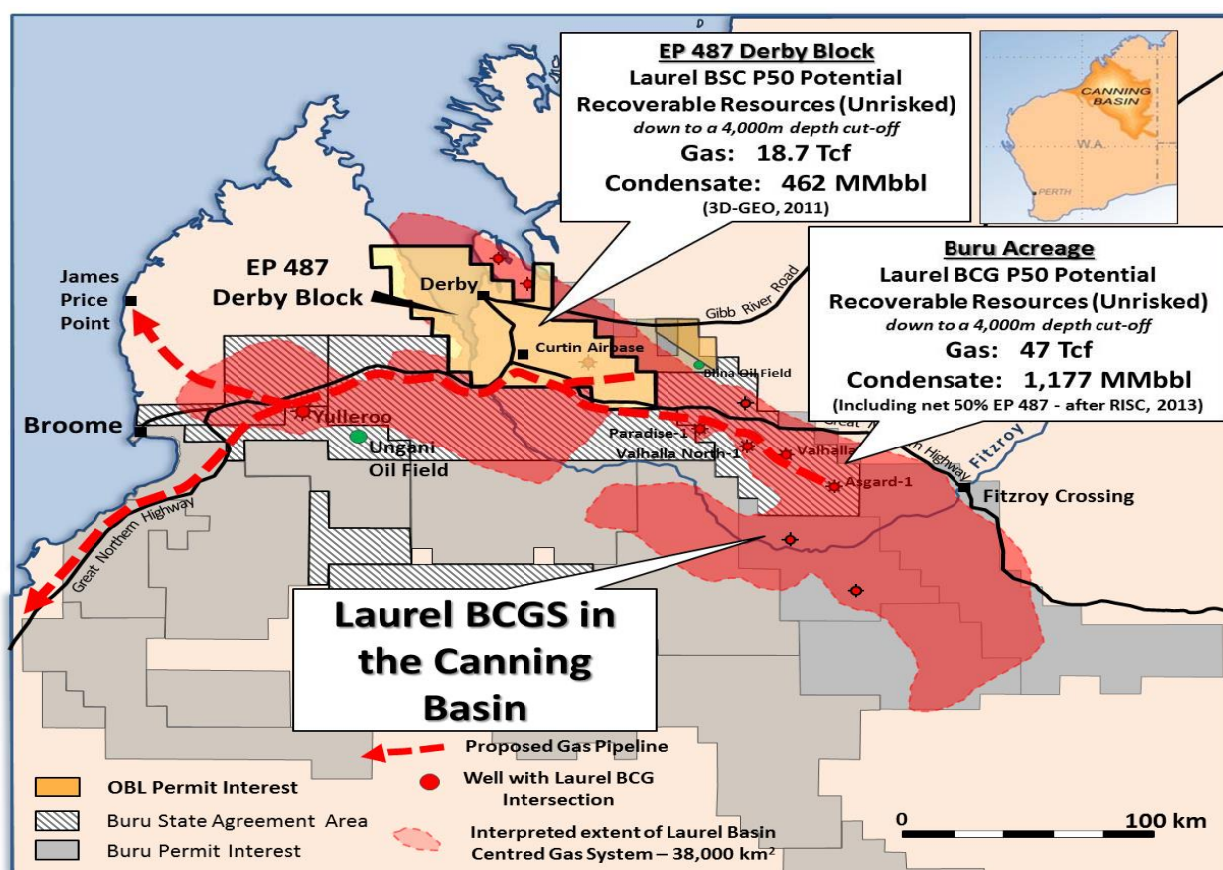


Figure 2
Company's exposure to the new Laurel Wet BCG Play is significant

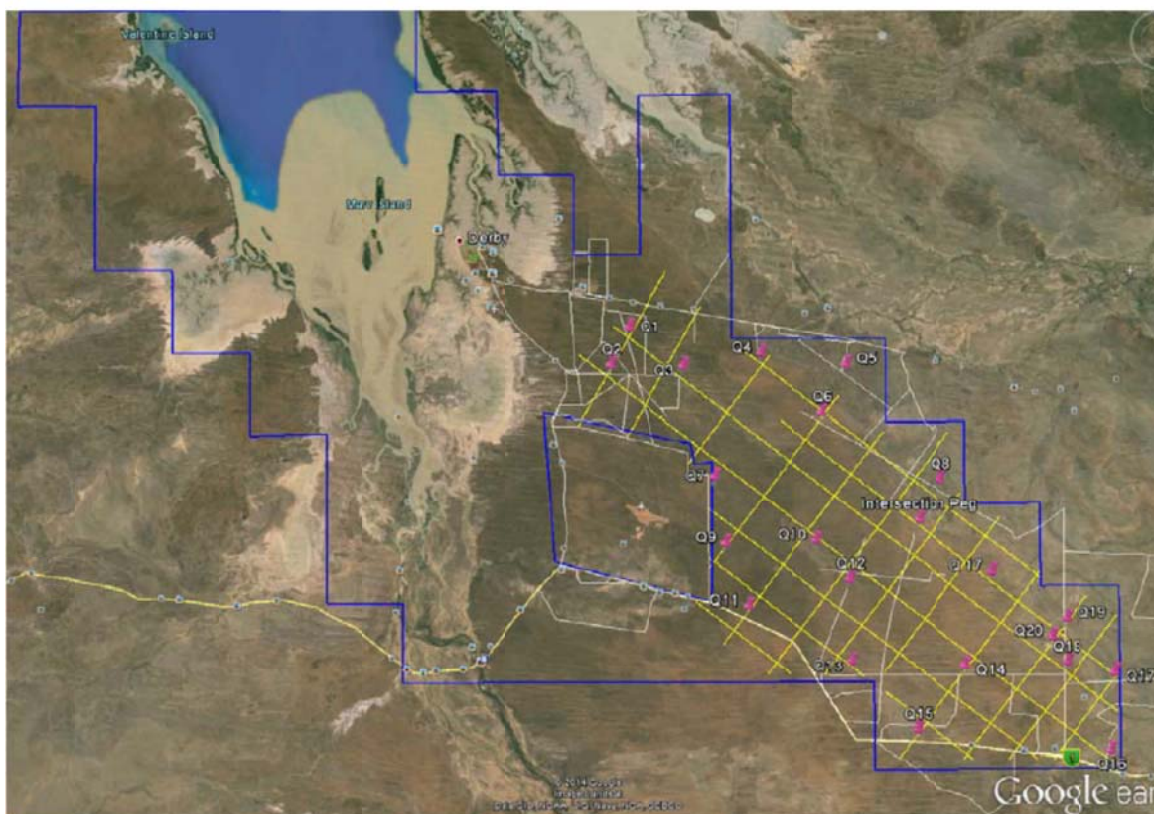


Figure 3
Satellite Map of the *ecologia* Study Area

- Once the environmental plan is complete and lodged OBL will seek to apply for an appropriate suspension and extension of the Year 1 work program to take into account the imminent Kimberley Region wet season which will start in late 4Q2014.

Backreef Area (refer to Figures 1 and 2)

- OBL as soon as practical and subject to rig availability and funding will seek to re-enter and deepen the Backreef-1 well at the earliest opportunity in 2015 to assess the USO potential of the Backreef Area.

CONTINGENT FUNDING

- In mid-March 2014 (ahead of being formally offered the Grant of EP 487 Derby Block) the Company entered into a funding agreement with The Australian Special Opportunity Fund LP, a New York-based institutional investor managed by The Lind Partners, LLC (collectively "Lind") for a total funding commitment of up to AU\$7.25 million.
- The Lind funds are being used primarily as contingent funding to support the acceptance of Grant of Derby Block EP 487 and assist the planned build-up on these Canning operations.
- On 17 July 2014, and within the funding agreement lock down period, OBL advised the ASX and paid down the converting note facility with a payment of approximately AUD\$307,000.
- As at 30 June 2014, OBL completed 3 tranches of funding amounting to \$250,000 in accordance with the Lind facility with a total of 28,643,579 new OBL ordinary shares issues at an average price of \$0.00872 (**0.872 cents**) per share and this funding support has provided the Company with sufficient collateral during the June quarter to complete the F&F Survey and execute the Vic/P47 asset acquisition documentation as the Company seeks to maximize its Derby Block ownership position under challenging market conditions.
- After 6 months of regular funding tranches, OBL can either suspend future tranches for up to 3 months in a calendar year or at its sole discretion completely cancel the funding agreement at no cost.

Oil Basins Limited
Review of Operation's
30 June 2014

- On 30 June 2014 OBL announced that it had agreed the June Placement of 35 million new ordinary OBL shares at \$0.0125 (**1.25 cents**) per share raising a gross amount of \$437,500.
- The June 2014 Placement, priced at a circa 35% premium to recent 7 day trading, was made to sophisticated professional investors and was completed on 9 July 2014.

Subsequent Events – Additional Funding

- On 8 July 2014, the Company issued Strategic Energy Resources Limited (ASX code **SER**) 6.0 million new OBL ordinary shares at \$0.02 (**2.0 cents**) per share to finalise the Vic/P47 asset acquisition transaction.
- Following the June 2014 Placement the Company announced to the ASX on 11 July 2014 that it had paid out the Lind convertible security.
- On 7 August 2014, an Extraordinary General Meeting of OBL shareholders approved the refreshment of OBL's 15% placement capital and the issue of up to 150 million new OBL ordinary shares to assist the funding of the Company in EP 487 (Derby Block).
- On 15 September 2014, the Company announced that it had agreed a September Placement of 67 million new ordinary OBL shares at \$0.008 (**0.80 cents**) per share raising a gross amount of \$560,000. The Placement was sought to provide additional funding for the Derby Block ongoing work program, legal payments associated with issues relating to the non-payment of outstanding cash calls and ongoing expanded Gippsland work program costs. The Placement was made to sophisticated professional investors and was completed on 19 September 2014.
- On 15 September 2014, the Company announced its intention to make a Share Purchase Plan offer ("**SPP**") to all shareholders registered on the Company's share register at 7pm on Friday 12 September 2014. The SPP will be at **\$0.008 (0.8 cents) per share**, which represents an attractive discount to recent trading for OBL ordinary shares, and will be open from Monday 22 September 2014 until Monday 6 October 2014, unless filled or closed earlier.
- The SPP will allow shareholders who have supported the Company the opportunity to increase their investment at a discount and without the need for fees or normal transaction costs, at what the Board feels is an exceptionally low value for shares in the Company.
- Under the terms of the SPP applications may be made at various set amounts from a minimum of \$1,000 to a maximum of \$15,000. Under ASX Listing Rules the maximum number of shares able to be issued under the SPP is limited to 30% of the number of shares previously on issue. Accordingly the SPP will be on a first come basis and the Directors will reserve the right to close the offer early or scale back if applications are received for more than the permitted issue number.
- If fully subscribed, the SPP will raise some \$1.9 million upon the issue of some 236 million new shares, and documentation was sent to eligible shareholders in the week ending 19 September 2014.

Oil Basins Limited
Directors' report
30 June 2014

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 year ended 30 June 2014.

Directors

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

Mr Kim W McGrath (Executive Chairman)
Mr Neil F Doyle (Executive Director and CEO)
Mr Nigel H Harvey (Non-Executive Director)

Principal activities

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

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$6,312,040 (30 June 2013: \$6,051,450).

During the year the consolidated entity continued to develop its exploration assets, spending \$287,829 on exploration and evaluation. At 30 June 2014 the directors resolved to write off exploration expenditure in the amount of \$4,419,131. Following this write off at 30 June 2014 the consolidated entity's carrying value of exploration and evaluation assets amounted to \$5,071,706.

As a result of operations the net assets of the consolidated entity at 30 June 2014 was \$4,463,778 (2013:\$8,978,631).

Refer to the preceding pages for a detailed review of operations.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On the 4 of July 2014 the company converted 25,335 OBLOB options to fully paid ordinary shares. The options were exercised at \$0.04 (4 cents).

On the 9 July 2014 the company acquired 25% of the Offshore Gippsland VIC/P41 Permit following the approval from the National Offshore Petroleum Administrator (NOPA). On the 8 July 2014 the company issued 6 million fully paid ordinary shares, at an issue price of 2.0 cents per share to Strategic Energy Resources in consideration of the sale. The consolidated entity now holds a total of 25% which is equally split between OBL and OBL's wholly owned subsidiary Shelf Oil Pty Ltd.

Also on the 9 July 2014 the company performed a placement in the amount of 35,000,000 fully paid ordinary shares at \$0.0125 (1.25 cents). The total amount raised amounted to \$437,500 and will be used for general working capital purposes and to maintain and assist the company's leverage to attractive and highly prospective assets within its portfolio.

On the 17 March the company enter into a funding agreement which included a \$300,000 convertible security note. On the 9 July 2014 the company repurchased this convertible security at the face value \$300,000 (plus pro rata interest at 6% pa).

On the 8 August 2014 the company issued 9,375,000 fully paid ordinary shares as part of its funding agreement with Lind. The shares were issued at a deemed issue price of \$0.008 (0.8 cents) per share based on 91.5% of three average VWAP's selected by the investor. The funds will be used to fund working capital and ongoing projects.

On the 11 September 2014 the company issued 14,285,714 fully paid ordinary shares as part of its funding agreement with Lind. The shares were issued at a deemed issue price of \$0.007 (0.7 cents) per share based on 91.5% of three average VWAP's selected by the investor. The funds will be used to fund working capital and ongoing projects.

Oil Basins Limited
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On the 15 September the company announced a share placement of 70,000,000 fully paid ordinary shares at \$0.008 (0.8 cents) per share. The shares were allotted on the 19 September 2014. Also on the 15 September 2014 the company announced its intention to make a share purchase plan offer to registered shareholders at \$0.008 (8 cents) per share. The offer was opened on 22 September 2014 and will close on the 6 October 2014. If fully subscribed the share purchase plan will raise up to \$1.9 million.

No other matter or circumstance has arisen since 30 June 2014 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.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The company holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies, during the year ended 30 June 2014.

Information on directors

Name:	Kim W McGrath
Title:	Executive Chairman
Qualifications:	BEC(Hons) LLB FAICD CPA CTA
Experience and expertise:	Mr McGrath is an internationally experienced resources finance and investment banking executive. He is the Managing Director of Delta Corporate Finance Pty Limited a specialist advisory group based in Sydney with active business interests in Australia and the UK. His prior positions in Australia have included legal roles with Comalco and ICL, General Counsel and Company Secretary of Bank of America Australia, General Counsel with Bell Resources responsible for negotiating international lines of finance and business acquisitions, and in strategy and development as General Manager, Strategy and Planning with Industrial Equity. During the mid 1990s Mr McGrath was based in London and worked on the restructure of companies in eastern Europe and particularly on major operations in CIS metals and oil trading, and associated financing in both London and Geneva. After returning to Australia in 1998, Mr McGrath continued to hold full practising certificates as a Solicitor in both England and Wales and in Victoria, as well as holding qualifications as a CPA and more recently as a CTA.
Other current directorships:	CVC Property Managers Limited (Director since 10 December 2004)
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit, Remuneration, Nomination and Risk Committees
Interests in shares:	21,000,000 fully paid OBL ordinary shares
Interests in options:	20,000,000 unlisted 30 June 2016 options at 9 cents

Oil Basins Limited
Directors' report
30 June 2014

Name: Neil F Doyle
Title: Executive Director and CEO
Qualifications: BEng MEngSc MSPE, MSME
Experience and expertise: Neil Doyle is an energy specialist with both significant upstream and investment banking experience in the sector. He is a qualified engineer with post-graduate qualifications in geomechanics (Monash Uni) with significant operations experience covering both the upstream (onshore and offshore) oil and gas sector notably with BHP Petroleum and Esso Exploration and Production Australia and also in the downstream refining products / LPG sector with Shell Australia. Subsequently, he has held senior management roles at commercial, technical and business development levels with a number of diversified resources groups and investment banks – specialising in energy-related financial markets investment banking, international cross-border transactions and both initiating and advising on significant mergers and acquisitions within the energy sector within Australia and NZ with JPMorganChase as Senior Vice President as a member of their Global Energy Investment Banking Team. He has had ASX listed public Company experience within the junior resources sector at Managing Director level prior to joining Patersons Securities Limited in March 2004 as a Director of Corporate Finance.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of Audit, Remuneration, Nomination and Risk Committees.
Interests in shares: 10,750,000 fully paid OBL ordinary shares
Interests in options: 20,000,000 unlisted 30 June 2016 options at 9 cents

Name: Nigel H Harvey
Title: Non-Executive Director
Qualifications: BA (Hons)
Experience and expertise: Mr Harvey has worked two decades in the financial and commodity markets for the international energy banks The Chase Manhattan Bank, Barclays Bank and JPMorganChase (Director - Head of Asia Pacific Energy Derivatives) and more recently Macquarie Bank (Division Director - Energy Markets). He worked initially in credit and corporate finance but mainly in treasury divisions. There he gained extensive crude oil and energy products markets, derivatives, risk management and wider commodity and financial derivatives and markets experience. He focussed on delivering tailored risk management and hedging solutions for producers, airlines and other clients across the Asia Pacific. He has since developed an independent market risk consulting practice. His previous background of almost a decade in business journalism covering the Middle East, its oil sector and related topics equipped him with strong industry knowledge. He is a member of the Australian Institute of Company Directors and the Society of Petroleum Engineers (SPE).

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of Audit, Remuneration, Nomination and Risk Committees
Interests in shares: 4,751,550 fully paid OBL ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

All shares and options noted in the directors report are holdings at the date of this report.

Geological consultant

The company's geological and geophysical technical team since the company's requote on the ASX in 2006 has been headed by Geoff Geary a consultant petroleum geologist (formerly with Oil Company of Australia and Mobil Oil) with over 29 years in the profession. He has had significant experience in company mergers, acquisitions, acreage promotion and farmouts in his career, both with junior, national and with major multi-nationals oil companies. He is experienced in sedimentary basin analysis, sequence stratigraphy, structural geology, seismic interpretation, basin modelling and oil and gas field evaluation and development.

Company secretary

Justin Mouchacca was appointed as Company Secretary on 2 July 2012. Justin attended RMIT University in Melbourne where he graduated in 2008. He is a member of the Institute of Chartered Accountants Australia. His expertise over the past 8 years has been providing an outsourced company secretarial and financial role for the junior resources and biotechnology sectors of both listed and unlisted entities.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committees	
	Attended	Held	Attended	Held
Mr K McGrath	11	11	1	1
Mr N Doyle	11	11	1	1
Mr N Harvey	11	11	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation
- transparency

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives ('program participants'). The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

Oil Basins Limited
Directors' report
30 June 2014

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2009, where the shareholders approved an aggregate remuneration of \$500,000.

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and
- long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments. Options may be awarded to executives based on long-term incentive measures. In addition, Executive directors may receive a bonus payment on the principles of a contract for difference in respect of the value of 5,000,000 fully paid ordinary shares of the company (adjusted for any reconstruction of capital) as determined from a benchmark price on the ASX being the volume weighted average price of the fully paid ordinary shares of the company for the five trading days to and including the close of trading on the respective last day of trading for the 2013 and 2014 financial years.

Consolidated entity performance and link to remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The achievement of this aim has been through the issue of options to directors and executives to encourage the alignment of personal and shareholder interests

Non-Executive directors, other key management personnel and other senior employees have been granted options over ordinary shares. The recipients of options are responsible for growing the Company and increasing shareholder value. The options provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

- Mr K McGrath (Executive Chairman)
- Mr N Doyle (Executive Director and CEO)
- Mr N Harvey (Non-Executive Director)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current positions for the whole of the financial year and since the end of the financial year:

- Mr J Mouchacca (Company Secretary)
- Mr G Geary (Geological Consultant)

Voting and comments made at the company's 27 November 2013 Annual General Meeting ('AGM')

The company received 94.17% of 'for' votes in relation to its remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Annual Leave leave	Equity-settled	Total
2014	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr N Harvey	60,000	-	-	5,550	-	-	65,550
<i>Executive Directors:</i>							
Mr K McGrath	347,775	-	-	17,775	-	-	365,550
Mr N Doyle	372,775	-	-	17,775	-	-	390,550
<i>Other Key Management Personnel:</i>							
Mr J Mouchacca*	96,000	-	-	-	-	-	96,000
Mr G Geary**	119,000	-	-	-	-	-	119,000
	<u>995,550</u>	<u>-</u>	<u>-</u>	<u>41,100</u>	<u>-</u>	<u>-</u>	<u>1,036,650</u>

* Amount consists of fees paid to Leydin Freyer Corp Pty Ltd in respect of company secretarial and accounting services. Mr J Mouchacca represents Leydin Freyer Corp and is not remunerated separately for Company Secretarial and Accounting services.

** Amount consists of fees paid to Focus on Australia in respect of Consulting Fees provided.

Oil Basins Limited
Directors' report
30 June 2014

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2013	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr N Harvey	60,000	-	-	5,400	-	-	65,400
<i>Executive Directors:</i>							
Mr K McGrath	335,229	-	-	31,600	-	176,000	542,829
Mr N Doyle	351,229	-	-	31,600	-	176,000	558,829
<i>Other Key Management Personnel:</i>							
Ms M Leydin*	96,000	-	-	-	-	17,600	113,600
Mr J Mouchacca*	-	-	-	-	-	26,400	26,400
Mr G Geary**	282,000	-	-	-	-	26,400	308,400
	1,124,458	-	-	68,600	-	422,400	1,615,458

* Amount consists of fees paid to Leydin Freyer Corp Pty Ltd in respect of company secretarial and accounting services. Ms M Leydin and Mr J Mouchacca represent Leydin Freyer Corp and are not remunerated separately for Company Secretarial and Accounting services.

** Amount consists of fees paid to Focus on Australia in respect of Consulting Fees provided.

*** Share based payments in the period were unlisted 30 June 2016 share options issued to directors and other key management personnel. The share options have an exercise price of \$0.09 (9 cents each) and were valued using the Binomial Method.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI	
	2014	2013	2014	2013
<i>Non-Executive Directors:</i>				
Mr N Harvey	100%	100%	-%	-%
<i>Executive Directors:</i>				
Mr K McGrath	100%	68%	-%	32%
Mr N Doyle	100%	69%	-%	31%
<i>Other Key Management Personnel:</i>				
Ms M Leydin	-%	85%	-%	15%
Mr G Geary	100%	91%	-%	9%
Mr J Mouchacca	100%	-%	-%	100%

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Oil Basins Limited
Directors' report
30 June 2014

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
September and October 2012	Immediately	30 June 2016	\$0.09	\$0.009

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

Name	Number of options granted during the year 2014	Number of options granted during the year 2013	Number of options vested during the year 2014	Number of options vested during the year 2013
Mr N Doyle (or nominee)	-	20,000,000	-	20,000,000
Mr K McGrath (or nominee)	-	20,000,000	-	20,000,000
Ms M Leydin (or nominee)	-	2,000,000	-	2,000,000
Mr J Mouchacca (or nominee)	-	3,000,000	-	3,000,000
Mr G Geary (or nominee)	-	3,000,000	-	3,000,000

Additional information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2010 \$	2011 \$	2012 \$	2013 \$	2014 \$
Revenue	11,458	42,094	2,471,790	45,545	14,551
Net Profit/ (loss) before tax	(774,890)	(1,129,545)	842,515	(6,051,450)	(6,312,040)
Net Profit/ (loss) after tax	(774,890)	(1,129,545)	842,515	(6,051,450)	(6,312,040)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2010	2011	2012	2013	2014
Share price at the start of the financial year (\$)	0.02	0.02	0.03	0.03	0.01
Share price at the end of the financial year (\$)	0.02	0.03	0.03	0.01	0.01
Basic earnings per share (cents per share)	(0.70)	(0.46)	0.26	(0.83)	(0.95)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Mr K McGrath	16,000,000	-	5,000,000	-	21,000,000
Mr N Doyle	10,750,000	-	-	-	10,750,000
Mr N Harvey	1,750,000	-	3,001,550	-	4,751,550
	28,500,000	-	8,001,550	-	36,501,550

Oil Basins Limited
Directors' report
30 June 2014

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as part of remuneration	Exercised	Expired/Other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Mr K McGrath	30,000,000	-	-	(10,000,000)	20,000,000
Mr N Doyle	30,000,000	-	-	(10,000,000)	20,000,000
Mr N Harvey	10,000,000	-	-	(10,000,000)	-
Ms M Leydin *	2,000,000	-	-	(2,000,000)	-
Mr J Mouchacca	3,000,000	-	-	-	3,000,000
Mr G Geary	3,000,000	-	-	-	3,000,000
	<u>78,000,000</u>	<u>-</u>	<u>-</u>	<u>(32,000,000)</u>	<u>46,000,000</u>

* Resigned 1 July 2013

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Oil Basins Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
September and October 2012	30 June 2016	\$0.0900	48,000,000
March 2014	14 September 2017	\$0.0232	<u>8,000,000</u>
			<u><u>56,000,000</u></u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Oil Basins Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of Deloitte Touche Tohmatsu

There are no officers of the company who are former audit partners of Deloitte Touche Tohmatsu.

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 on the following page.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Neil Doyle
Executive Director

30 September 2014
Melbourne

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

30 September 2014

Dear Board Members

Oil Basins Limited

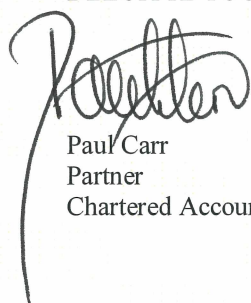
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Oil Basins Limited.

As lead audit partner for the audit of the financial statements of Oil Basins Limited for the financial year ended 30 June 2014, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely


DELOITTE TOUCHE TOHMATSU


Paul Carr
Partner
Chartered Accountants

Oil Basins Limited
Corporate Governance Statement

The Board of Directors (the 'Board') of Oil Basins Limited (the 'Company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to manage and disclose those functions.	<p>The Board is responsible for the overall corporate governance of the Company.</p> <p>The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters reserved for the Board and specific matters that are delegated to management.</p> <p>The Board has adopted a Delegations of Authority that sets limits of authority for senior executives.</p> <p>On appointing a director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board.</p>	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against performance of the Company as a whole.	Complies.
1.3	Provide the information indicated in <i>Guide to reporting on Principle 1</i> .	A Board charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement.	Complies.
		A performance evaluation process is included in the Board Charter, which has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies.
		The Board conducted a performance evaluation of senior executives in the financial year in line with the process above.	Complies.
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	<p>Currently Oil Basins Limited has one independent director, Mr Nigel Harvey.</p> <p>Mr Nigel Harvey is an independent non-executive director.</p> <p>Mr Neil Doyle is an executive director.</p> <p>Mr Kim McGrath is an executive director.</p>	While the Board recognises it is desirable for the majority of the Board to be independent directors, the Company's current size and focus dictate that the present form is the most effective mode of operation at the current time. The Board will consider the appointment of further independent directors should the Company's size and growth warrant this.

Oil Basins Limited
Corporate Governance Statement

Principles and Recommendations		Compliance	Comply
2.2	The chair should be an independent director.	Mr Kim McGrath is the Chairman and is not an independent director.	While the Board recognises it is desirable for the chair to be an independent director, the Company's current size and focus dictate that this is the most effective mode of operation at the current time. The Board will consider the appointment of an independent chair should the Company's size and growth warrant this.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Kim McGrath is the chair and Mr Neil Doyle is the chief executive officer.	Complies.
2.4	The Board should establish a nomination committee.	The Company has established a Nomination Committee.	Complies.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The performance evaluation of Board members occurs by way of an informal review by the full Board (in the absence of the relevant Board member).	Complies.
2.6	Provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	<p>This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement.</p> <p>Mr Nigel Harvey is an independent director of the Company. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations.</p> <p>Members of the Board are able to take independent professional advice at the expense of the Company.</p> <p>Mr Nigel Harvey, non-executive director, was appointed to the Board in July 2009.</p> <p>Mr Neil Doyle, Executive Director and Chief Executive Officer, was appointed to the Board in May 2006.</p> <p>Mr Kim McGrath, Executive Chairman was appointed to the Board in May 2006.</p> <p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered relevant diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company.</p> <p>In accordance with the information</p>	Complies.

Principles and Recommendations		Compliance	Comply
		suggested in <i>Guide to Reporting on Principle 2</i> , the Company has disclosed full details of its directors in the director's report attached to this Corporate Governance Statement. Other disclosure material on the Structure of the Board has been made available on the company's website.	
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	<p>The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.</p> <p>The code is available on the Company's website.</p>	Complies.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	<p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction.</p> <p>The Board has prepared a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the Company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measurable diversity performance objectives for the Board, CEO and senior management.</p>	Complies.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company has adopted a Diversity Policy and will report in each annual report the measurable objectives for achieving gender diversity set by the Board.	Complies.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The Board currently comprises of three male directors, being the only Company employees, and there are no women in senior executive positions or on the board. The board reviews the gender diversity and potential candidates as and when required.	Complies.
3.5	Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	This information is available on the Company's website.	Complies.

Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board has established an audit and a risk committee which operates under an audit and risk committee charter to focus on issues relevant to the integrity of the Company's financial reporting.	Complies.
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	<p>Members of the audit and risk committee consist of the members of the Board. The chair Mr Nigel Harvey is a non-executive director and is not chair of the Board. The committee consists of one non-executive and two executive directors.</p> <p>The audit committee did not comply with Recommendation 4.2 in that the committee:</p> <ul style="list-style-type: none"> ▪ did not consist of only non-executive directors ▪ did not consist of a majority of independent directors 	While the Board recognises that it is desirable for the majority of the audit committee to be independent directors, the Company's current size and focus dictates that this is the most effective mode of operation at the current time. The Board will consider the appointment of further independent directors should the Company's size and growth warrant this.
4.3	The audit committee should have a formal charter.	The Board has adopted an audit and risk charter.	Complies.
4.4	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	<p>In accordance with the information suggested in <i>Guide to Reporting on Principle 4</i>, this has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement.</p> <p>The members of the audit committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution.</p> <p>The audit committee held two meetings during the period to the date of the directors' report and meets at least twice per annum.</p> <p>The audit and risk charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the Company's website.</p>	Complies.
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that	The Company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.	Complies.

Oil Basins Limited
Corporate Governance Statement

Principles and Recommendations		Compliance	Comply
5.2	<p>compliance and disclose those policies or a summary of those policies.</p> <p>Provide the information indicated in the <i>Guide to reporting on Principle 5</i>.</p>	The Company's continuous disclosure policy is available on the Company's website.	Complies.
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has adopted a shareholder communications policy. The Company uses its website (www.oilbasins.com.au), annual report, market announcements, media disclosures and webcasting to communicate with its shareholders, as well as encourages participation at general meetings.	Complies.
6.2	Provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The Company's shareholder communications policy is available on the Company's website.	Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	<p>The Company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board.</p> <p>The audit and risk charter is available on the Company's website and is summarised in this Corporate Governance Statement.</p>	Complies.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the directors and the chief financial officer are adequate given the size and nature of the Company's activities. The Board informally reviews and requests management internal control.	Complies.
7.3	The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in	The Board has received a statement from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal	Complies.

Oil Basins Limited
Corporate Governance Statement

Principles and Recommendations		Compliance	Comply
	accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	
7.4	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	<p>The Board has adopted an audit and risk charter which includes a statement of the Company's risk policies.</p> <p>This charter is available on the Company's website and is summarised in this Corporate Governance Statement.</p> <p>The Company has identified key risks within the business and has received a statement of assurance from the chief executive officer and chief financial officer.</p>	Complies.
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board has established a Remuneration Committee.	Complies.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<p>The Company complies with the guidelines for executive remuneration packages and non-executive director remuneration.</p> <p>No senior executive is involved directly in deciding their own remuneration.</p>	Complies.
8.3	Provide the information indicated in <i>the Guide to reporting on Principle 8</i> .	<p>The Board has adopted a Remuneration Committee charter.</p> <p>The Company does not have any schemes for retirement benefits other than superannuation for directors.</p>	Complies.

Oil Basins Limited's corporate governance practices were in place for the financial year ended 30 June 2014 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Oil Basins Limited, refer to our website: www.oilbasins.com.au

Oil Basins Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
Revenue	5	14,551	45,545
Expenses			
Corporate expenses		(541,187)	(734,430)
Administration expenses		(138,443)	(354,458)
Employee benefits expense		(1,035,096)	(1,007,357)
Share based payments		-	(422,400)
Depreciation and amortisation expense	12	(23,180)	(19,175)
Impairment of investments		-	(1,470,004)
Loss on sale of investments		(164,941)	-
Exploration costs written off		(4,419,131)	(2,089,171)
Other expenses		(4,613)	-
Loss before income tax expense		(6,312,040)	(6,051,450)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Oil Basins Limited		(6,312,040)	(6,051,450)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of available-for-sale financial assets, net of tax		-	(14,999)
Other comprehensive income for the year, net of tax		-	(14,999)
Total comprehensive income for the year attributable to the owners of Oil Basins Limited		<u>(6,312,040)</u>	<u>(6,066,449)</u>
		Cents	Cents
Basic earnings per share	33	(0.95)	(1.09)
Diluted earnings per share	33	(0.95)	(1.09)

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 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents	8	64,374	104,509
Trade and other receivables	9	31,361	104,238
Other	10	22,774	9,946
Total current assets		<u>118,509</u>	<u>218,693</u>
Non-current assets			
Other financial assets	11	13,850	537,525
Property, plant and equipment	12	34,548	55,205
Petroleum exploration expenditure	13	5,071,706	8,563,010
Total non-current assets		<u>5,120,104</u>	<u>9,155,740</u>
Total assets		<u>5,238,613</u>	<u>9,374,433</u>
Liabilities			
Current liabilities			
Trade and other payables	14	312,418	256,679
Borrowings	15	300,000	-
Employee benefits	16	129,526	122,710
Total current liabilities		<u>741,944</u>	<u>379,389</u>
Non-current liabilities			
Employee benefits	17	32,891	16,413
Total non-current liabilities		<u>32,891</u>	<u>16,413</u>
Total liabilities		<u>774,835</u>	<u>395,802</u>
Net assets		<u>4,463,778</u>	<u>8,978,631</u>
Equity			
Issued capital	18	19,738,956	18,103,069
Reserves	19	583,700	762,600
Accumulated losses		(15,858,878)	(9,887,038)
Total equity		<u>4,463,778</u>	<u>8,978,631</u>

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 year ended 30 June 2014

Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2012	15,489,539	(3,835,588)	485,223	12,139,174
Loss after income tax expense for the year	-	(6,051,450)	-	(6,051,450)
Other comprehensive income for the year, net of tax	-	-	(14,999)	(14,999)
Total comprehensive income for the year	-	(6,051,450)	(14,999)	(6,066,449)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	1,419,867	-	-	1,419,867
Share-based payments (note 35)	1,193,663	-	422,400	1,616,063
Shares to be issued reserve	-	-	(130,024)	(130,024)
Balance at 30 June 2013	<u>18,103,069</u>	<u>(9,887,038)</u>	<u>762,600</u>	<u>8,978,631</u>
Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2013	18,103,069	(9,887,038)	762,600	8,978,631
Loss after income tax expense for the year	-	(6,312,040)	-	(6,312,040)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(6,312,040)	-	(6,312,040)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 35)	789,799	-	-	789,799
Issue of options	-	-	160,000	160,000
Lapse of options	-	340,200	(340,200)	-
Revaluation Reserve	-	-	1,300	1,300
Issue of shares	1,251,500	-	-	1,251,500
Costs of capital raising	(405,412)	-	-	(405,412)
Balance at 30 June 2014	<u>19,738,956</u>	<u>(15,858,878)</u>	<u>583,700</u>	<u>4,463,778</u>

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 year ended 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,609,479)	(2,019,197)
Interest received		4,301	49,997
Net cash used in operating activities	32	(1,605,178)	(1,969,200)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(2,523)	(52,951)
Payments for exploration and evaluation		(287,829)	(2,932,933)
Payments for equity investments		-	(478,305)
Proceeds from sale of investments		370,284	-
Net cash used in investing activities		79,932	(3,464,189)
Cash flows from financing activities			
Proceeds from issue of equity securities		1,276,500	1,328,365
Payments for share issue costs		(66,389)	(38,522)
Proceeds from borrowings		275,000	-
Net cash from financing activities		1,485,111	1,289,843
Net decrease in cash and cash equivalents		(40,135)	(4,143,546)
Cash and cash equivalents at the beginning of the financial year		104,509	4,248,055
Cash and cash equivalents at the end of the financial year	8	<u>64,374</u>	<u>104,509</u>

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 its subsidiaries. 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 is:

Level 4
100 Albert Road
SOUTH MELBOURNE 3025

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 30 September 2014. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

Any new, revised or amending 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 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 January 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 January 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 January 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

Note 2. Significant accounting policies (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 January 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. During the financial year, the consolidated entity made a loss of \$6,312,040 (2013: \$6,051,450), including an impairment of capitalised exploration expenditure of \$4,419,131. In addition the consolidated entity had net cash outflows from operating and investing activities of \$1,525,246. At 30 June 2014 the consolidated entity has an excess of current liabilities over current assets of \$623,435.

To continue as a going concern the consolidated entity requires the immediate raising of additional equity.

During the financial year, the consolidated entity entered into a capital raising facility with the Australian Special Opportunity Fund (the "ASOF Facility"). The consolidated entity can elect to draw down on funds for working capital purposes. The ASOF facility provides a commitment of up to \$7,250,000. The ASOF Facility has a term of two years and is comprised of monthly equity purchases of \$100,000 which can be increased up to \$300,000 per month by mutual consent. The ASOF Facility is subject to various terms and conditions including a minimum volume weighted average price of the company's shares.

Based on current cash flow forecasts the consolidated entity will have sufficient funds to pay its debts as and when they fall due until the end of November 2014. The consolidated entity's cash flow forecasts indicate that, in addition to capital raisings completed as detailed below up to the date of signing this financial report, an additional \$3,900,000 will be required to provide sufficient cash for the consolidated entity to be able to pay its debts as and when they fall due until 30 September 2015. This is inclusive of scheduled work programs, the actual commitments of which may be altered over the next 12 months.

The directors anticipate that the additional funds will be raised through one or more of the following methods:

- Farmout and/or divestment of existing tenement portfolio; and
- Capital raising

As at 30 September 2014, the Company has shareholder approved capacity to issue up to approximately 101,000,000 shares which would raise a further \$710,000 before costs (based on the current share price at the date of this report.) In addition the Company has capacity to raise up to 80,000,000 shares until 14 November 2014 which would raise a further \$560,000 before costs (based on the share price at the date of this report.)

Note 2. Significant accounting policies (continued)

Notwithstanding the circumstances and budgeted expenditure outlined above, the directors are confident that the company and consolidated entity will be able to continue as going concerns given the following:

- (a) The consolidated entity is in discussions with interested parties to farm out some of its existing portfolio tenements and investments. As part of this strategy the consolidated entity has in place an agreement to divest 25% of the Derby Block (EP487) permit to Octanex NL for \$1,750,000.
- (b) During the year ended 30 June 2014, the company raised \$1,666,500 through the placement of 88,433,334 fully paid ordinary shares. The consolidated entity also received \$399,799 through the issue of 45,197,270 fully paid ordinary shares as part of the ASOF facility (refer above).
- (c) The consolidated entity has undertaken the following additional capital raisings:
 - A share placement, on 30 June 2014, to sophisticated investors which raised \$437,500 before equity raising costs. A total of 35,000,000 fully paid ordinary shares were issued at \$0.0125 (1.25 cents).
 - A share placement, on 15 September 2014, to sophisticated investors which raised \$560,000 before equity raising costs. A total of 70,000,000 fully paid ordinary shares were issued at \$0.008 (0.8 cents).
 - On 15 September 2014 the consolidated entity announced its intention to make a share purchase plan offer to registered shareholders. The shares were offered at \$0.008 (0.8 cents) per share. The offer opened on 22 September 2014 with a closure date of 6 October 2014, unless filled or closed earlier. If fully subscribed the company would raise up to \$1,900,000. As at 30 September 2014 approximately \$150,000 has been raised awaiting allotment.

The directors believe that they will be able to raise additional funds in future periods as required, based on the demonstrated ability of the consolidated entity to raise funds in the past.

Should the company and the consolidated entity be unable to raise further funds from the sources outlined above, there would be a significant uncertainty regarding the ability of the company and the consolidated entity to continue as going concerns and, therefore whether they will realise their assets and discharge their 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 company and the consolidated entity not continue as going concerns.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of available-for-sale financial assets.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Oil Basins Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Oil Basins Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 2. Significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' ('AFS') financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Note 2. Significant accounting policies (continued)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Petroleum exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied: (i) the rights to tenure of the area of interest are current; and (ii) at least one of the following conditions is also met: (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Provision for Restoration and Rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include costs of removing facilities, abandoning sites/wells and restoring the affected areas. The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of the discounting on the provision is recognised as a finance cost rather than being capitalized into the cost of the related asset.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 2. Significant accounting policies (continued)

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 2. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Note 2. Significant accounting policies (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Oil Basins Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Joint Operations

Classification of joint arrangements

Exploration, development and production activities of the group are conducted primarily through arrangements with other parties. Each arrangement has a contractual agreement which provides the participating parties rights to the assets and obligations for the liabilities of the arrangement. Under certain agreements, more than one combination of participants can make decisions about the relevant activities and therefore joint control does not exist. Where the arrangement has the same legal form as a joint operation but is not subject to joint control, the group accounts for its interest in accordance with the contractual agreement by recognising its share of jointly held assets, liabilities, revenues and expenses of the arrangement.

The group's interest in other arrangements with same legal form as a joint operation but that are not subject to joint control are disclosed in note 29.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. Operating segments

The consolidated entity is organised into one segment: petroleum exploration and investment within Australia. The operating segment is based on the internal reports that are reviewed by the directors (who are identified as Chief Decision Makers) in assessing performance and allocation of resources.

Note 5. Revenue

	Consolidated	
	2014	2013
	\$	\$
Interest	4,301	45,545
Other Revenue	10,250	-
Revenue	<u>14,551</u>	<u>45,545</u>

Note 6. Expenses

	Consolidated	
	2014	2013
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Depreciation of non-current assets	<u>23,180</u>	<u>19,175</u>
<i>Employment Benefits:</i>		
Post employment benefit - Contribution plans	41,100	68,600
Other employee benefits	909,996	905,758
Consultant fees	<u>84,000</u>	<u>33,000</u>
Total Employment Benefits	<u>1,035,096</u>	<u>1,007,358</u>
<i>Share-based payments</i>		
Equity settled share based payments - Directors	-	352,000
Equity settled share based payments - Consultants	<u>-</u>	<u>70,400</u>
Total share-based payments	<u>-</u>	<u>422,400</u>

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Note 7. Income tax expense

	Consolidated	
	2014	2013
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(6,312,040)	(6,051,450)
Tax at the statutory tax rate of 30%	(1,893,612)	(1,815,435)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	-	126,756
Movements in provisions	112,306	-
Movements in accrued expenditure	(1,317)	-
Capitalised deductible exploration expenditure	(278,348)	-
Write off of exploration expenditure	1,325,739	-
Capital raising costs	(64,474)	-
Sundry items	(72)	-
	(799,778)	(1,688,679)
Current year tax losses not recognised	799,778	1,527,145
Current year temporary differences not recognised	-	161,534
Income tax expense	-	-

	Consolidated	
	2014	2013
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	17,545,614	14,876,933
Unused capital losses for which no deferred tax asset has been recognised	1,109,970	-
Total revenue and capital losses	18,655,584	14,876,933
Potential tax benefit @ 30%	5,596,675	4,463,080

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Consolidated	
	2014	2013
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	5,596,675	4,463,080
Temporary differences	(1,756,508)	(2,409,306)
Total deferred tax assets not recognised	3,840,167	2,053,774

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 7. Income tax expense (continued)

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law, and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2014	2013
	\$	\$
Cash at bank	62,874	104,509
Cash on deposit	1,500	-
	<u>64,374</u>	<u>104,509</u>

Note 9. Current assets - trade and other receivables

	Consolidated	
	2014	2013
	\$	\$
Other receivables	363,371	59,248
Less: Provision for impairment of receivables	(363,371)	-
	<u>-</u>	<u>59,248</u>
GST receivable	31,361	44,990
	<u>31,361</u>	<u>104,238</u>

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

Note 10. Current assets - other

	Consolidated	
	2014	2013
	\$	\$
Prepayments	<u>22,774</u>	<u>9,946</u>

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Note 11. Non-current assets - other financial assets

	Consolidated	
	2014	2013
	\$	\$
Available-for-sale investments carried at fair value - quoted shares	<u>13,850</u>	<u>537,525</u>

Quoted shares noted above represents the company's holding in Strategic Energy Resources (ASX: SER) and Valance Industries Limited (ASX:VXL). The amount denoted above is the fair value as at 30 June 2014.

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2014	2013
	\$	\$
Plant and equipment - at cost	32,988	30,465
Less: Accumulated depreciation	<u>(27,188)</u>	<u>(16,553)</u>
	5,800	13,912
Motor vehicles - at cost	50,179	50,179
Less: Accumulated depreciation	<u>(21,431)</u>	<u>(8,886)</u>
	28,748	41,293
	<u>34,548</u>	<u>55,205</u>

Reconciliations

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

Consolidated	Motor Vehicles \$	Plant & Equipment \$	Total \$
Balance at 1 July 2012	-	21,429	21,429
Additions	50,179	2,772	52,951
Depreciation expense	<u>(8,886)</u>	<u>(10,289)</u>	<u>(19,175)</u>
Balance at 30 June 2013	41,293	13,912	55,205
Additions	-	2,523	2,523
Depreciation expense	<u>(12,545)</u>	<u>(10,635)</u>	<u>(23,180)</u>
Balance at 30 June 2014	<u>28,748</u>	<u>5,800</u>	<u>34,548</u>

Note 13. Non-current assets - Petroleum exploration expenditure

	Consolidated	
	2014	2013
	\$	\$
Petroleum Exploration Expenditure	<u>5,071,706</u>	<u>8,563,010</u>

Note 13. Non-current assets - Petroleum exploration expenditure (continued)

Reconciliations

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

Consolidated	Petroleum Exploration \$	Total \$
Balance at 1 July 2012	7,851,007	7,851,007
Additions	2,801,174	2,801,174
Write off of assets	(2,089,171)	(2,089,171)
Balance at 30 June 2013	8,563,010	8,563,010
Additions	927,827	927,827
Impairment of assets	(4,419,131)	(4,419,131)
Balance at 30 June 2014	<u>5,071,706</u>	<u>5,071,706</u>

During the financial year the directors resolved to write down the Backreef Oil Project to a carrying value of \$2,500,000 and also write off the carrying value of the East Blina Project. The total write offs for the year amounted to \$4,419,131.

Over the past year, the consolidated entity has been reviewing the commerciality potential for the well and it has been determined that no further work can be completed on this well. As such the costs associated with this production test have been impaired.

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.

Note 14. Current liabilities - trade and other payables

	Consolidated 2014 \$	2013 \$
Trade payables	219,821	47,945
Sundry payables and accrued expenses	21,010	136,779
Other payables	71,587	71,955
	<u>312,418</u>	<u>256,679</u>

Refer to note 21 for further information on financial instruments.

The average credit period on purchases is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 15. Current liabilities - borrowings

	Consolidated	
	2014	2013
	\$	\$
Convertible notes payable	<u>300,000</u>	<u>-</u>

Refer to note 21 for further information on financial instruments.

The company entered into a funding agreement with The Australian Special Opportunity Fund LP, a New York-based institutional investor managed by The Lind Partners, LLC (collectively Lind). The agreement has a term of two years and is made up of a 6% coupon convertible security of the face amount of \$300,000 (as seen above) and monthly equity purchases, to be mutually agreed upon by the two parties. This convertible note was repaid post year end.

Note 16. Current liabilities - employee benefits

	Consolidated	
	2014	2013
	\$	\$
Annual leave	<u>129,526</u>	<u>122,710</u>

Note 17. Non-current liabilities - employee benefits

	Consolidated	
	2014	2013
	\$	\$
Long service leave	<u>32,891</u>	<u>16,413</u>

Note 18. Equity - issued capital

	Consolidated			
	2014	2013	2014	2013
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>722,742,978</u>	<u>589,112,374</u>	<u>19,738,956</u>	<u>18,103,069</u>

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Note 18. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2012	485,514,599		15,489,539
Exercise of listed options (OBLOA)	9 July 2012	23,490,114	\$0.0150	358,852
Exercise of listed options (OBLOA)	11 July 2012	52,380	\$0.0150	786
Issue of shares under purchase agreement	17 August 2012	38,505,266	\$0.0310	1,193,663
Exercise of listed options (OBLOA)	10 October 2012	15	\$0.0400	1
Share placement	21 January 2013	17,850,000	\$0.0350	624,750
Share purchase plan	26 April 2013	23,700,000	\$0.0200	474,000
Less cost of capital raising		-	\$0.0000	(38,522)
Balance	30 June 2013	589,112,374		18,103,069
Share placement	9 July 2013	5,000,000	\$0.0200	100,000
Shares placed in Escrow in consideration for Green Rock Energy	19 July 2013	25,000,000	\$0.0200	500,000
Share placement	16 August 2013	10,000,000	\$0.0200	200,000
Share placement	10 October 2013	21,000,000	\$0.0200	420,000
Consideration for Shelf Oil Pty Ltd	19 November 2013	7,000,000	\$0.0150	140,000
Share placement	12 December 2013	7,000,000	\$0.0150	105,000
Share placement	13 January 2014	13,433,334	\$0.0150	201,500
Convertible Note commencement fee	19 March 2014	8,053,691	\$0.0190	149,799
Collateral Share as part of Lind Deal	19 March 2014	8,500,000	\$0.0000	-
Share Issue to Lind	30 April 2014	6,818,182	\$0.0110	75,000
Share Issue to Lind	23 May 2014	11,111,111	\$0.0090	100,000
Share Issue to Lind	27 June 2014	10,714,286	\$0.0070	75,000
Less cost of capital raising		-		(430,412)
Balance	30 June 2014	<u>722,742,978</u>		<u>19,738,956</u>

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.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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Note 19. Equity - reserves

	Consolidated	
	2014	2013
	\$	\$
Available-for-sale reserve	1,300	-
Options reserve	582,400	762,600
	<u>583,700</u>	<u>762,600</u>

Available-for-sale reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Shares to be issued \$	Available for sale reserve \$	Options Reserve \$	Total \$
Balance at 1 July 2012	130,024	14,999	340,200	485,223
Revaluation of shares	-	(14,999)	-	(14,999)
Shares issued	(130,024)	-	-	(130,024)
Share based payments	-	-	422,400	422,400
Balance at 30 June 2013	-	-	762,600	762,600
Options expired during the period	-	-	(340,200)	(340,200)
Revaluation of shares	-	1,300	-	1,300
Options Issued	-	-	160,000	160,000
Balance at 30 June 2014	<u>-</u>	<u>1,300</u>	<u>582,400</u>	<u>583,700</u>

Note 20. Equity - dividends

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

Note 21. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks.

Market risk

Price risk

The consolidated entity is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes.

Note 21. Financial instruments (continued)

Consolidated - 2014	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Available-for-sale investments carried at fair value - quoted shares	10%	-	1,385	10%	-	(1,385)
Consolidated - 2013	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Available-for-sale investments carried at fair value - quoted shares	20%	-	107,506	20%	-	(107,506)

Interest rate risk

The consolidated entity's main interest rate risk arises from cash deposits. The consolidated entity has no borrowings, and during the year held cash in accessible current accounts for liquidity purposes.

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated	2014		2013	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash at bank	2.50%	64,374	2.75%	104,509
Net exposure to cash flow interest rate risk		64,374		104,509

The impact would not be material on bank balances held at 30 June 2013 or 30 June 2014.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 21. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2014						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-%	312,418	-	-	-	312,418
<i>Interest-bearing - fixed rate</i>						
Convertible Note	6.00%	300,000	-	-	-	300,000
Total non-derivatives		612,418	-	-	-	612,418
Consolidated - 2013						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-%	47,945	-	-	-	47,945
Other payables	-%	208,734	-	-	-	208,734
Total non-derivatives		256,679	-	-	-	256,679

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 2014				
Assets				
Ordinary shares	13,850	-	-	13,850
Total assets	13,850	-	-	13,850

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Note 22. Fair value measurement (continued)

Consolidated - 2013	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Ordinary shares	537,525	-	-	537,525
Total assets	537,525	-	-	537,525

There were no transfers between levels during the financial year.

Note 23. Key management personnel disclosures

Directors

The following persons were directors of Oil Basins Limited during the financial year:

Mr K W McGrath (Executive Chairman)
Mr N F Doyle (Executive Director and CEO)
Mr N Harvey (Non-Executive Director)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr J Mouchacca (Company Secretary)
Mr G Geary (Geological Consultant)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	2013
	\$	\$
Short-term employee benefits	970,550	1,124,458
Post-employment benefits	41,100	68,600
Long-term benefits	25,000	-
Share-based payments	-	422,400
	<u>1,036,650</u>	<u>1,615,458</u>

Some of the amounts paid to Focus on Australia relating to Mr G Geary for consulting services were capitalised into exploration expenditure during the year.

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	Consolidated	
	2014	2013
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	34,686	38,100
<i>Other services - Deloitte Touche Tohmatsu</i>		
Taxation services	-	12,800
	<u>34,686</u>	<u>50,900</u>

Note 25. Commitments

	Consolidated	
	2014	2013
	\$	\$
<i>Petroleum exploration commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,645,000	245,000
One to five years	14,877,500	400,000
Greater than 5 years	575,000	-
	<u>17,097,500</u>	<u>645,000</u>

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

Derby Block EP 487

During the financial year, the consolidated entity was duly registered titleholder and operator of EP 487 and commenced field operations with a reconnaissance survey for Class 1 Flora and Fauna Survey over the route of the Year 1 Work Program obligation.

Backreef area

The consolidated entity holds an 100% interest in the Backreef Area (EP 129 BR and L 6 BR). Currently there are no commitment requirements for this area, whilst the consolidated entity focuses on the completion of the Derby Block application.

Vic/P41

Indicative expenditure commitments include minimum work obligations for the initial 3 year period of exploration permits (and thereafter annually) and obligations arising from farm-in arrangements. The OBL Group (i.e. OBL and Shelf Oil Pty Ltd) is dependent on certain factors to be able to meet these minimum work requirements. These are set out in Notes relating to Vic/P41 below.

The VIC/P41 permit is in Year 3 of a second term. The Year 1 work programme was for geological and geophysical studies and was completed on time. The Year 2 committed work program consists of 3D seismic reprocessing, fault seal and qualitative interpretation studies is being completed. The committed work program for Year 3 consists of geological and geophysical studies. On 24 July 2014 the Joint Arrangement applied for a suspension and extension of the Year 3 work program with the National Offshore Petroleum Titles Administrator (NOPTA). The outcome of this application is pending.

Note 25. Commitments (continued)

Notes relating to both Vic/P41 & Vic/P47

Subsequent to the end of the financial year, the consolidated entity acquired a 25% interest in Vic/P47. Similarly with respect to the OBL Group's interest in Vic/P41 a meeting with the Vic/P47 joint venture partners (JVPs) and NOPTA to review the existing work program was held recently. After that meeting it was agreed that the Vic/P47 JVPs would seek a variation and extension of the current Year 4 work program to 15 November 2015 to possibly encompass new 3D seismic reprocessing, fault seal and qualitative interpretation studies to select a well site. Failure of approval by NOPTA of the proposed work program changes in either Vic/P41 and/or Vic/P47 will in the absence of a farmin see OBL Group immediately withdrawing from either or both permits to avoid the minimal well obligations (estimated at \$10.635 million in Vic/P41 and \$5.0 million in Vic/P47).

In both instances the OBL Group will also rely on taking appropriate steps, including:

- Meeting its additional obligations by either farmout or partial sale of the OBL Group's exploration interests (e.g. Shelf Oil Pty Ltd) ;
- Raising capital by one of a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding share options, and/or further issue of shares to the public;
- In some circumstances, subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; or
- Other avenues that may be available to the OBL Group.

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 OBL Group not continue as a going concern, particularly the write-down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Cyrano R3/R1

The consolidated entity holds a 100% interest in the Cyrano Oil Field Retention Lease R3/R1. Exploration commitments of \$200,000 have been recorded for each of the next 3 years in relation to this Retention Lease.

Note 26. Related party transactions

Parent entity

Oil Basins Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Joint ventures

Interests in joint ventures are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Oil Basins Limited
Notes to the financial statements
30 June 2014

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2014	2013
	\$	\$
Loss after income tax	(7,225,504)	(5,137,984)
Total comprehensive income	(7,225,504)	(5,137,984)

Statement of financial position

	Parent	
	2014	2013
	\$	\$
Total current assets	118,258	218,441
Total assets	5,238,613	10,287,899
Total current liabilities	741,944	379,389
Total liabilities	774,836	395,802
Equity		
Issued capital	19,738,956	18,103,069
Available-for-sale reserve	1,300	-
Options reserve	582,400	762,600
Accumulated losses	(15,858,879)	(8,973,572)
Total equity	4,463,777	9,892,097

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2013 and 30 June 2014.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2013 and 30 June 2014.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2013 and 30 June 2014.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Oil Basins Limited
Notes to the financial statements
30 June 2014

Note 28. 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:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
OBL Backreef No.10 Pty Ltd	Australia	100.00%	100.00%
Canning Basin Oil Limited (formerly OBL Backreef No. 15 Pty Ltd)	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%	-%
Backreef Energy Pty Ltd **	Australia	100.00%	-%

* Shelf Oil Pty Ltd was acquired on 18 November 2013.

** Green Rock Canning Basin Pty Ltd was acquired on 29 July 2013, and subsequently renamed Backreef Energy Pty Ltd.

At the time of acquisition, Shelf Oil Pty Ltd and Green Rock Canning Basin Pty Ltd held various percentage interests in Vic/P41 and the Backreef area respectively. The acquisition of these subsidiaries was deemed to not be a business combination, and was therefore classified as an asset acquisition.

Note 29. Interests in other arrangements

The group participants in arrangements with other parties that have the same legal form as a joint operation but are not subject to joint control (as described in note 2 (Interest in other arrangements)). The group's interests in these arrangements is as follows:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
VIC P/41**	Oil and gas exploration	35.44%	17.94%
VIC P/66	Oil and gas exploration	-%	17.00%
Derby Block EP 487*	Oil and gas exploration	50.00%	-%

* The consolidated entity is currently seeking 100% of EP 487 in a legal dispute at the WA state administrative tribunal.

** The consolidated entity acquired an additional 17.5% interest in VIC/P41 through the acquisition of its wholly owned subsidiary Shelf Oil Pty Ltd which holds the acquired 17.5%.

Note 30. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Oil Basins Limited
Canning Basin Oil Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Oil Basins Limited, they also represent the 'Extended Closed Group'.

Oil Basins Limited
Notes to the financial statements
30 June 2014

Note 30. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

	2014	2013
	\$	\$
Statement of profit or loss and other comprehensive income		
Revenue	4,301	45,545
Other income	10,250	-
Corporate expenses	(538,435)	(734,653)
Administration expenses	(141,197)	(354,461)
Employee benefits expense	(1,036,956)	(1,007,357)
Share based payments	-	(422,400)
Depreciation and amortisation expense	(23,180)	(19,175)
Impairment of investments	(164,941)	(1,470,004)
Provision for loan non-recovery	(3,061,419)	(5,548)
Exploration costs written off	(2,128,092)	(1,480,195)
Loss before income tax expense	(7,079,669)	(5,448,248)
Income tax expense	-	-
Loss after income tax expense	(7,079,669)	(5,448,248)
Other comprehensive income		
Loss on the revaluation of available-for-sale financial assets, net of tax	-	(14,999)
Other comprehensive income for the year, net of tax	-	(14,999)
Total comprehensive income for the year	<u>(7,079,669)</u>	<u>(5,463,247)</u>
	2014	2013
	\$	\$
Equity - retained profits		
Accumulated losses at the beginning of the financial year	(9,279,052)	(3,830,804)
Loss after income tax expense	(7,079,669)	(5,448,248)
Transfer from options reserve	340,200	-
Accumulated losses at the end of the financial year	<u>(16,018,521)</u>	<u>(9,279,052)</u>

Oil Basins Limited
Notes to the financial statements
30 June 2014

Note 30. Deed of cross guarantee (continued)

	2014	2013
	\$	\$
Statement of financial position		
Current assets		
Cash and cash equivalents	64,134	104,367
Trade and other receivables	31,360	104,239
Other	22,774	9,219
	<u>118,268</u>	<u>217,825</u>
Non-current assets		
Other financial assets	548,725	3,373,772
Property, plant and equipment	34,549	55,205
Petroleum exploration expenditure	4,377,430	6,334,891
	<u>4,960,704</u>	<u>9,763,868</u>
Total assets	<u>5,079,072</u>	<u>9,981,693</u>
Current liabilities		
Trade and other payables	312,419	255,953
Borrowings	300,000	-
Employee benefits	129,526	122,710
	<u>741,945</u>	<u>378,663</u>
Non-current liabilities		
Employee benefits	32,892	16,413
	<u>32,892</u>	<u>16,413</u>
Total liabilities	<u>774,837</u>	<u>395,076</u>
Net assets	<u>4,304,135</u>	<u>9,586,617</u>
Equity		
Issued capital	19,738,956	18,103,069
Reserves	583,700	762,600
Accumulated losses	(16,018,521)	(9,279,052)
Total equity	<u>4,304,135</u>	<u>9,586,617</u>

Note 31. Events after the reporting period

On the 4 of July 2014 the company converted 25,335 OBLOB options to fully paid ordinary shares. The options were exercised at \$0.04 (4 cents).

On the 9 July 2014 the company acquired 25% of the Offshore Gippsland VIC/P41 Permit following the approval from the National Offshore Petroleum Administrator (NOPA). On the 8 July 2014 the company issued 6 million fully paid ordinary shares, at an issue price of 2.0 cents per share to Strategic Energy Resources in consideration of the sale. The consolidated entity now holds a total of 25% which is equally split between OBL and OBL's wholly owned subsidiary Shelf Oil Pty Ltd.

Also on the 9 July 2014 the company performed a placement in the amount of 35,000,000 fully paid ordinary shares at \$0.0125 (1.25 cents). The total amount raised amounted to \$437,500 and will be used for general working capital purposes and to maintain and assist the company's leverage to attractive and highly prospective assets within its portfolio.

On the 17 March the company enter into a funding agreement which included a \$300,000 convertible security note. On the 9 July 2014 the company repurchased this convertible security at the face value \$300,000 (plus pro rata interest at 6% pa).

On the 8 August 2014 the company issued 9,375,000 fully paid ordinary shares as part of its funding agreement with Lind. The shares were issued at a deemed issue price of \$0.008 (0.8 cents) per share based on 91.5% of three average VWAP's selected by the investor. The funds will be used to fund working capital and ongoing projects.

Oil Basins Limited
Notes to the financial statements
30 June 2014

Note 31. Events after the reporting period (continued)

On the 11 September 2014 the company issued 14,285,714 fully paid ordinary shares as part of its funding agreement with Lind. The shares were issued at a deemed issue price of \$0.007 (0.7 cents) per share based on 91.5% of three average VWAP's selected by the investor. The funds will be used to fund working capital and ongoing projects.

On the 15 September the company announced a share placement of 70,000,000 fully paid ordinary shares at \$0.008 (0.8 cents) per share. The shares were allotted on the 19 September 2014. Also on the 15 September 2014 the company announced its intention to make a share purchase plan offer to registered shareholders at \$0.008 (8 cents) per share. The offer was opened on 22 September 2014 and will close on the 6 October 2014. If fully subscribed the share purchase plan will raise up to \$1.9 million.

No other matter or circumstance has arisen since 30 June 2014 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 32. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2014	2013
	\$	\$
Loss after income tax expense for the year	(6,312,040)	(6,051,450)
Adjustments for:		
Depreciation and amortisation	23,180	19,175
Impairment of investments	-	1,470,004
Share-based payments	-	422,400
Exploration costs written off	4,419,131	2,089,171
Loss on sale of investment	164,941	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	72,877	5,311
Increase in prepayments	(12,828)	(2,220)
Increase in trade and other payables	16,267	33,637
Increase in employee benefits	23,294	44,772
Net cash used in operating activities	<u>(1,605,178)</u>	<u>(1,969,200)</u>

Non-cash transactions

During the financial year, the consolidated entity acquired a 100% interest in Green Rock Canning Basin Pty Ltd through the issue of 25,000,000 fully paid ordinary shares at a deemed issue price of \$0.02 (2 cents) per share.

During the financial year, the consolidated entity also acquired a 100% interest in Shelf Oil Pty Ltd which held a 17.5% interest in petroleum exploration permit Vic/P41 through the issue of 7,000,000 fully paid ordinary shares at a deemed issue price of \$0.02 (2 cents) per share.

Note 33. Earnings per share

	Consolidated	
	2014	2013
	\$	\$
Loss after income tax attributable to the owners of Oil Basins Limited	<u>(6,312,040)</u>	<u>(6,051,450)</u>

Oil Basins Limited
Notes to the financial statements
30 June 2014

Note 33. Earnings per share (continued)

	2014	2013
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	663,144,541	553,963,082
Weighted average number of ordinary shares used in calculating diluted earnings per share	663,144,541	553,963,082
	Cents	Cents
Basic earnings per share	(0.95)	(1.09)
Diluted earnings per share	(0.95)	(1.09)

Diluted Earnings Per Share

In the current year, the options held by option holders were not included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they did not meet the requirements for inclusion is AASB 133 "Earnings per Share". The options were non-dilutive as the consolidated entity generated a loss during the financial year.

Note 34. Contingent liabilities

As a result of participation in the Nyikina Mangala native title case (WAD6099/1998), the company presently has a costs orders liability of up to \$186,304. The company has formally objected to the position. In addition, on 1 October 2014 the full Federal Court will hear the company's appeal against the costs orders, in this appeal the company will seek for the potential liability to be extinguished. Any adjustment arising from the result of this appeal may impact future cash flows.

Note 35. Share-based payments

Set out below are summaries of options granted under the plan:

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
25/11/2009	30/06/2014	\$0.0400	18,000,000	-	-	(18,000,000)	-
25/11/2009	30/06/2014	\$0.0400	18,000,000	-	-	(18,000,000)	-
30/09/2012	30/06/2016	\$0.0900	48,000,000	-	-	-	48,000,000
19/03/2014	14/09/2017	\$0.0232	-	8,000,000	-	-	8,000,000
			84,000,000	8,000,000	-	(36,000,000)	56,000,000

2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
25/11/2009	30/06/2014	\$0.0400	18,000,000	-	-	-	18,000,000
25/11/2009	30/06/2014	\$0.0400	18,000,000	-	-	-	18,000,000
30/09/2012	30/06/2016	\$0.0900	-	48,000,000	-	-	48,000,000
			36,000,000	48,000,000	-	-	84,000,000

Note 35. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2014 Number	2013 Number
25/11/2009	30/06/2014	-	18,000,000
25/11/2009	30/06/2014	-	18,000,000
30/09/2012	30/06/2016	48,000,000	48,000,000
19/03/2014	14/09/2017	8,000,000	-
		<u>56,000,000</u>	<u>84,000,000</u>

For the options granted during the financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/09/2012	30/06/2016	\$0.0300	\$0.0900	79.00%	-%	2.66%	\$0.009
19/03/2014	14/09/2017	\$0.0200	\$0.0232	291.00%	-%	3.40%	\$0.020

* Share price is based on 60 day Volume Weighted Average Price based on daily closing prices to 3 August 2012.

** Volatility was estimated based on the historical volatility of share price returns for companies comparable to the company.

*** The risk-free interest rate is based on the Treasury Bond yield with a maturity approximating the expiry date of the options, at the Grant Date.

Oil Basins Limited
Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 30 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Neil Doyle
Executive Director

30 September 2014
Melbourne

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

Report on the Financial Report

We have audited the accompanying financial report of Oil Basins Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 26 to 61.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Oil Basins Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding the Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of \$6,312,040 and had net cash outflows from operating and exploration activities of \$1,525,246 during the year ended 30 June 2014. 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 company and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Oil Basins Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU

Paul Carr
Partner
Chartered Accountants
Melbourne, 30 September 2014

Oil Basins Limited
Shareholder information
30 June 2014

The shareholders information set out below was applicable as at 25th September 2014.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	269
1,001 to 5,000	132
5,001 to 10,000	128
10,001 to 100,000	847
100,001 and over	804
	<u>2,180</u>
Holding less than a marketable parcel	<u>1,159</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares % of total shares issued
Number held	
Mr Colin Robert Searl + Mrs Cynda Searl	54,550,000 6.36
Navigator Australia Ltd (MLC Investment Sett A/C)	25,153,520 2.93
Mr Gavin William Kerr	20,000,000 2.33
Octanex NL	17,972,222 2.10
J P Morgan Nominees Australia Limited	17,494,888 2.04
Great Australia Corporation Pty Ltd	13,907,669 1.62
Romanna Pty Ltd (Icm Superannuation Fund A/C)	13,300,000 1.55
Strategic Energy Resources Limited	13,000,000 1.52
Cue Petroleum Pty Ltd	10,658,279 1.24
Locandro Smsf Pty Ltd (Locandro Super Fund A/C)	10,500,000 1.22
Whittingham Securities Pty Limited	10,000,000 1.17
BBY Nominees Limited	9,659,284 1.13
Mrs Gwendolen Joy Dettmar	9,010,000 1.05
Mr Paul Stanley Harris	8,500,000 0.99
Motta Property Investments Pty Ltd	8,201,256 0.96
Paul Stanley Harris (Family A/C)	8,000,000 0.93
Mr Neil Francis Doyle + Ms Lisa Materano (Intrepid Super Fund A/C)	7,625,000 0.89
Mr Murray Harris	7,621,550 0.89
Mr Murray Harris + Mrs Deborah Harris (M & D Super Fund A/C)	7,525,000 0.88
Mr Stuart Norman Broadley + Mrs Megan Jane Broadley (Broadley Super Fund A/C)	7,342,684 0.86
	<u>280,021,352 32.66</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	56,000,000	6

Oil Basins Limited
Shareholder information
30 June 2014

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Mr Colin Robert Searl + Mrs Cynda Searl	54,550,000	6.36

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.