



OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT September 2014

Oil Basins Limited (**OBL** or **Company**) is pleased to present its September 2014 Quarterly Report.

SEPTEMBER QUARTER OPERATIONS REPORT

Operations Highlights During the September quarter:

- *EP 487 Derby Block (OBL 50% and Operator) field operations concluded in late September 2014. Environmental Plan Seismic lodged with DMP Environment on 31 October 2014.*
- *OBL is seeking resolution of the on-going ownership of EP 487 and has commenced legal action at the WA State Administrative Tribunal to attain 100%. Legal actions have also been initiated in WA District Court and WA Magistrates Court for non-payment of cash calls by OBL's former Application Partner.*
- *Backreef Area (OBL Group 100% and Operator) East Blina-1 sump rehabilitation operations concluded 20 October 2014 with no out of specification contaminants reported from extensive soil testing. Environmental Plan Drilling and Production Testing lodged with DMP Environment on 31 October 2014.*
- *Non-operated Gippsland assets restructuring complete – OBL now holds a 25% interest in Vic/P47 (hosting the Judith Gas Field and the Moby Gas Field Location) and recently an application has been made for a Variation to the regulator to vary the Vic/P47 Year 5 work program to comprise reprocessing of 3D seismic and conducting a seismic inversion of the new reprocessed 3D in lieu of drilling an exploration well in 2015.*
- *Vic/P41 Joint Venture (OBL Group 35.435%) recently attained consent and approval of the regulator for the suspension and extension of the current mandatory Year 3 Work Program by a period of 6 Months until the 28 May 2015*
- *Best estimate SPE PRMS recoverable prospective resources have significantly increased over the Greater Kipling Prospect.*
- *A total recoverable best estimate of 1,197 Bcf is mapped across the Rosedale Fault Trend within the Golden Beach formation covering Vic/P41 and Vic/P68, with the majority within Vic/P41.*
- *The Kipling, Kipling West and Benchley prospects are each of significant size thereby providing confidence that exploration success could lead to development.*
- *OBL's net best estimate recoverable prospective resource within Vic/P41 is estimated at circa 367.1 Bcf and 17.5 MMbbls liquids (circa Net 78.7 MMBOE).*
- *During the quarter two placements were finalised raising \$997,500 before costs and post quarter-end a Share Purchase Plan raised \$405,000 before costs from 62 shareholders.*
- *Subsequent to quarter-end (after the minimum sixth tranche) OBL advised on 23 October 2014 that it had suspended the Lind facility for a period of three months.*

OPERATED ASSETS:

CANNING BASIN

PERMIT EP 487 (DERBY BLOCK) (Refer to **Figures 1 and 2**)

Ownership of EP 487 (Derby Block) – presently OBL 50% and operator

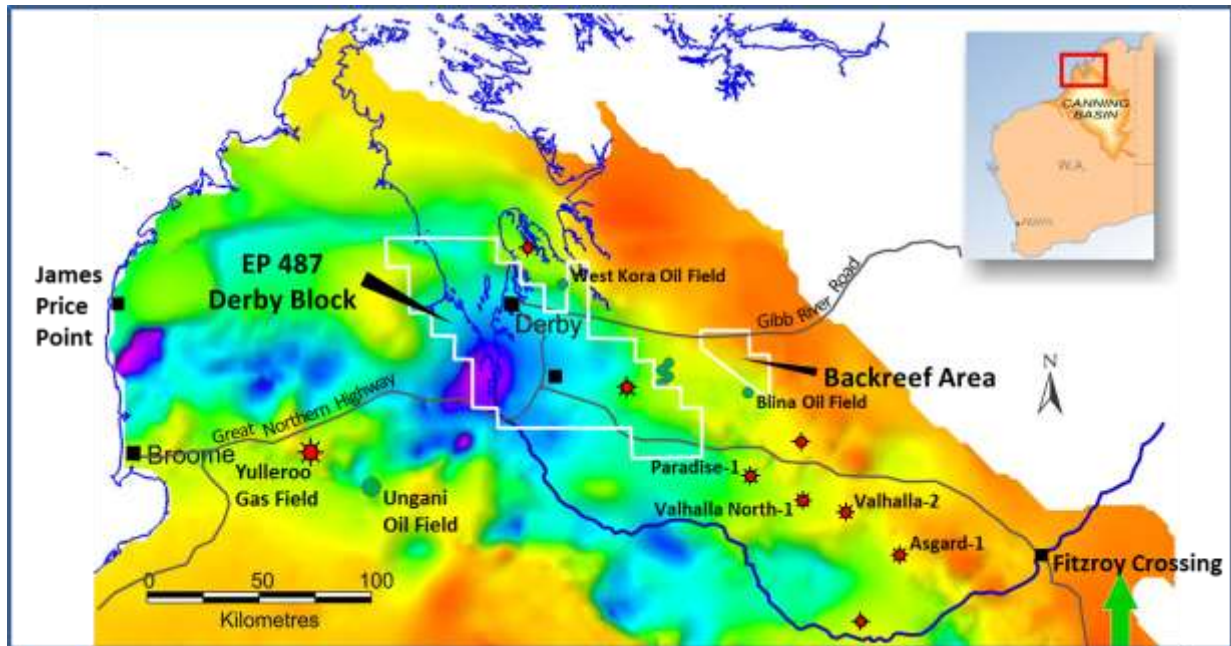


Figure 1
Company's Exploration Interests in the Canning Basin

Grant

Petroleum Exploration Permit EP 487 (Derby Block) (**EP 487**) was granted on 14 March 2014 and comprises an area of approximately 5,063 sqkm located in the onshore Canning Basin, mainly south and east of Derby township (refer to **Figures 1 and 2**).

Operations Update

Oil Basins Limited (**OBL**), as the duly registered party and operator of EP 487 reports that all field work relating to the Class 1 Flora and Fauna Survey (**F&F Survey**) was completed by its environmental tender winning consultant *ecologia* Environmental Pty Ltd (*ecologia*) a Perth based subsidiary of ASX listed Resource Development Group Ltd (ASX code **RDG**), during the week ended 20 September 2014.

Subsequent to the final assessment, the collections have now all been collated and a comprehensive **Generic Environmental Plan 2D Seismic Survey (GEP Seismic)** has been prepared over the proposed route of the 500line km 2D seismic survey.(refer to **Figure 3**).

Consultation with the DMP Environmental Division by *ecologia* and OBL occurred in early October and the Company is pleased to advise that the GEP Seismic was lodged by the Company on 31 October 2014.

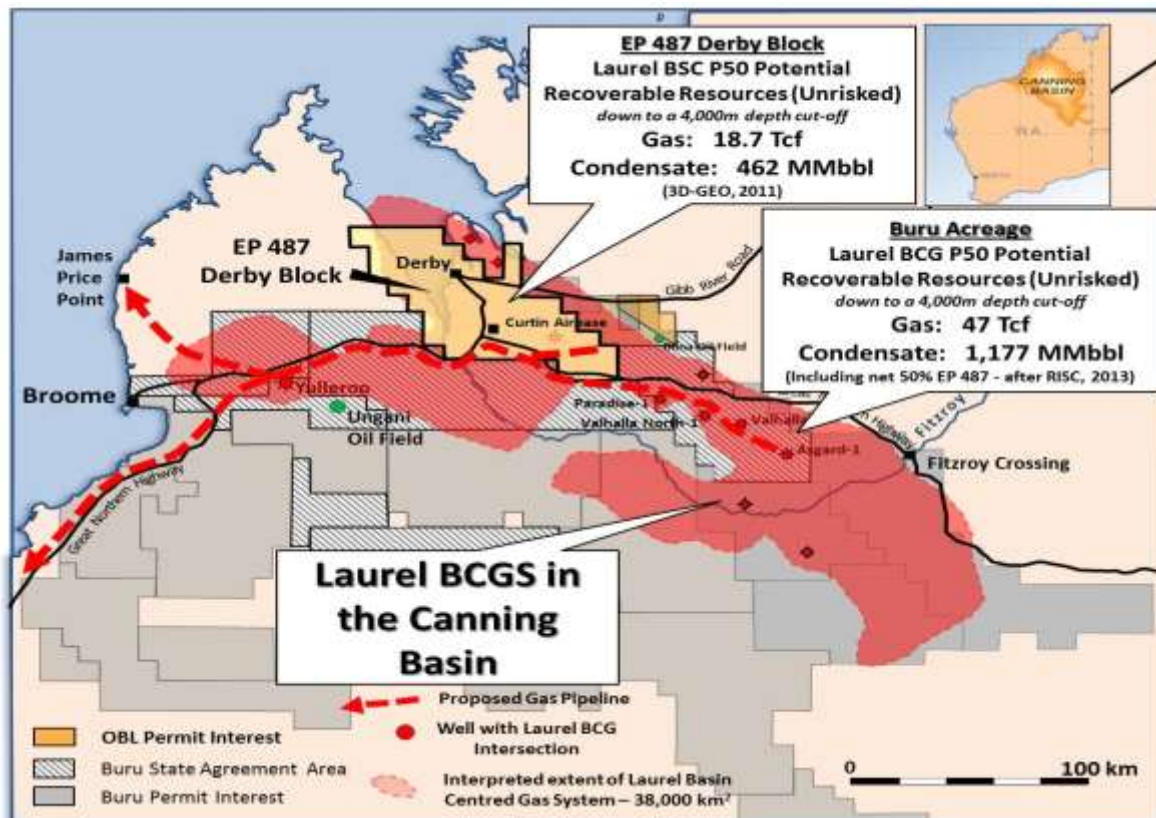


Figure 2

Company's exposure to the new Laurel Wet BCG Play is significant with up to 18.7 Tcf USG

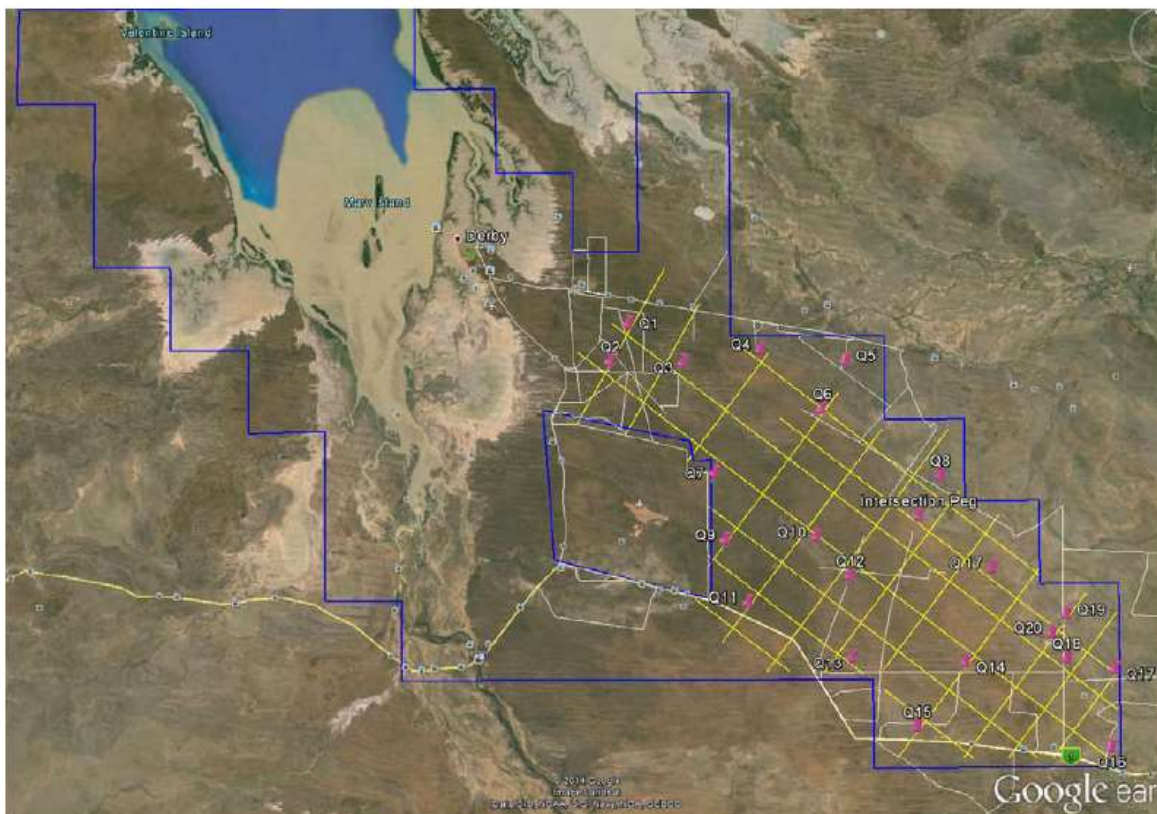


Figure 3

Satellite Map of the ecologia Study Area

Legal actions initiated by OBL

Since grant, due to the actions of its former application partner Backreef Oil Pty Limited (**BOPL**), OBL has been solely funding 100% of the operations to ensure that the timetable for submitting the mandatory Environmental Plan and to ensure that all EP 487 titleholders (actual and claimed) remain fully compliant. OBL advises that BOPL continues to refuse to attend planning meetings (both Joint Venture and stakeholder), review prepared budgets and pay its net share of cash calls.

With no action (within normal timeframes) by mid June 2014, OBL advised all parties of its intention to immediately pursue all of its rights.

a. WA State Administrative Tribunal Action

Given non-performance of its joint venturer since grant of EP 487 on 14 March 2014, the Company made a formal application to the WA State Administrative Tribunal (**SAT**) under the *Petroleum and Geothermal Energy Resources Act 1967* asking SAT to order rectification by the Minister for Mines and Petroleum of the Register and to remove BOPL from the title of EP 487 (Derby Block – refer to Figure 2).

If successful, this would mean that only OBL would remain on the title.

A three hour hearing took place on 18 September 2014. OBL was given seven days leave to respond to a late legal argument, which was duly filed on 25 September 2014 and BOPL was given 7 days to respond to OBL's formal response and this was duly filed on 1 October 2014.

The matter is presently being judged by the SAT President based upon the documents presented.

b. WA District Court Action

As previously reported, on 13 June 2014, OBL forwarded a cash call of circa \$131,000 to Backreef Oil Pty Limited (**BOPL**) seeking immediate payment in respect of the F&F Survey field work. OBL is as a result of non-payment taking legal action against BOPL in the WA District Court.

In addition to the initial unpaid cash call, the Company has further cash called BOPL for an outstanding back cost payment of circa \$232,000.

c. WA Magistrates Court

Due to failure of BOPL to pay its net share of Shire of Derby / West Kimberly annual rates on EP487 (gross rates are circa \$29,000). OBL advises that in October 2014 it has filed a writ of claim against BOPL in the WA Magistrates Court for circa \$15,000.

BACKREEF AREA (Refer to **Figure 2**) OBL Group 100% beneficial rights

Environment and Operations Update

At the end of the September quarter (when heavy earthmoving equipment first became available), OBL conducted the rehabilitation of the East Blina-1 sump and surrounds (refer to Figures 4 and 5). OBL commenced the excavation and soil sampling of the East Blina-1 sump on 26 September 2014 under the supervision of specialist environmental consultant **360 Environmental** and in accordance with the new WA environmental legislation.



Figure 4
East Blina-1 sump condition September 2014

Laboratory analysis was completed during the week ending 5 October 2014 and the exhaustive tests confirmed that apart from bentonite (drilling mud) and cement being present no hydrocarbon or toxic substances were discovered.

With DMP Environment approval and Shire of Derby / West Kimberly approval the relevant soil was excavated and removed to the Shire's approved landfill facility and the rehabilitation of the sump and surrounds were completed on 20 October 2014 (ahead of the rainy season).

After formal meeting with DMP Environment in early October, OBL submitted the revised version of the **Backreef Area Generic Environmental Plan Drilling and Production Testing** on 31 October 2014.

Farmout

Marketing of the Backreef Area farmout opportunity continued during the September quarter. A number of new confidentiality and non-circumvention agreements have been executed with third parties during and subsequent to the September quarter.



Figure 5

Contouring of top soil at well site surrounds (well marker shown)

RETENTION LEASE R3/R1 (CYRANO OIL PROJECT)

Cyrano Oil Field Project

Retention Lease R3/R1 – OBL 100%

Oil Basins Limited (ASX code OBL)	100% and operator
Oil Basins Royalties Pty Ltd	2.0% ORRI

Work resumed during the quarter to re-assess the hydrocarbon reservoir potential of the previously un-examined Mardie Greensand formation within the Greater Cyrano. (i.e. **the entire Cyrano East, Cyrano Central, Cyrano West Oil Pools and Elimia Prospect**) refer to **Figure 6**.

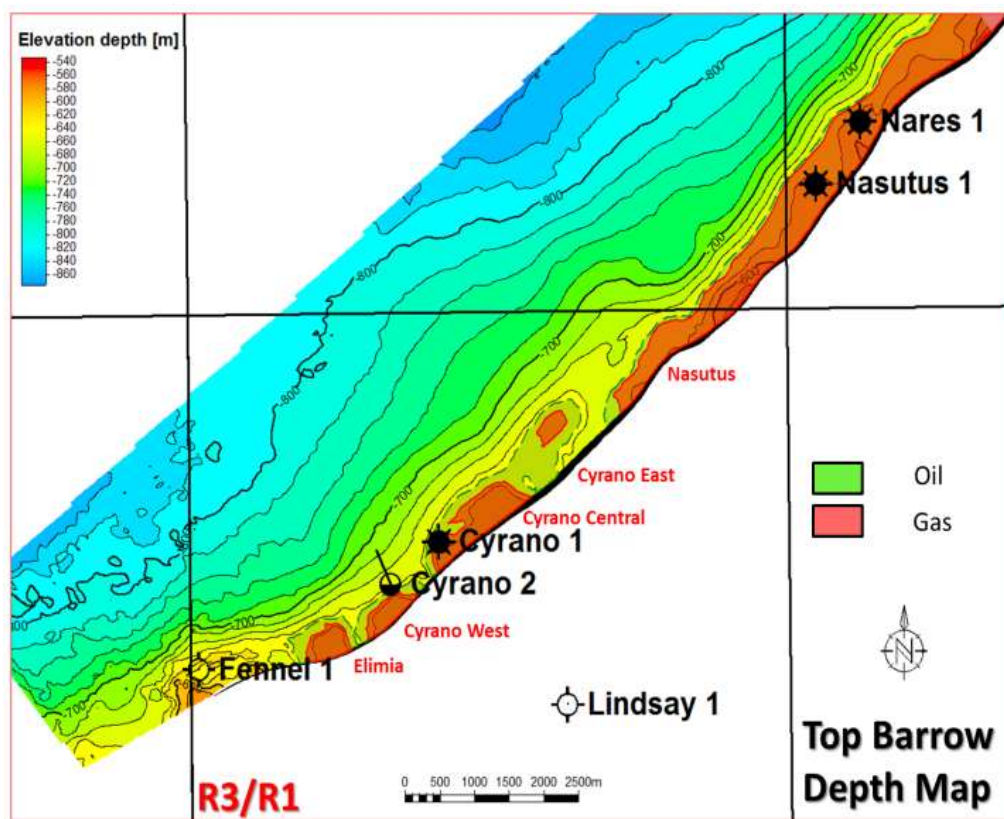


Figure 6
Company's Exploration Interests in the Carnarvon Basin
100% Cyrano Oil Project

Once the report on this new work by 3D-Geo Pty Ltd has been finalised and the DMP have been advised, OBL expects to make an appropriate ASX release in the December quarter giving an update of the new assessment of the overall booked contingent and prospective resources within Retention Lease R3/R1.

Farmout

Marketing of the Cyrano Oil Project farmout opportunity continued during the September quarter. A number of new confidentiality and non-circumvention agreements have been executed with Third Parties subsequent to the September quarter.

NON-OPERATED ASSETS:

GIPPSLAND BASIN

Permit Vic/P41 – OBL Group 35.435%

The Vic/P41 Joint Venture Participants are:

Bass Strait Oil Company Ltd (ASX code BAS)	64.565% and operator
Oil Basins Limited (ASX code OBL)	17.935%
Shelf Oil Pty Ltd (OBL wholly-owned subsidiary)	17.500%

Exploration permit Vic/P41 (539 sqkm) is located in the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast – refer to the Vic/P41 Location Map (**Figure 7**).

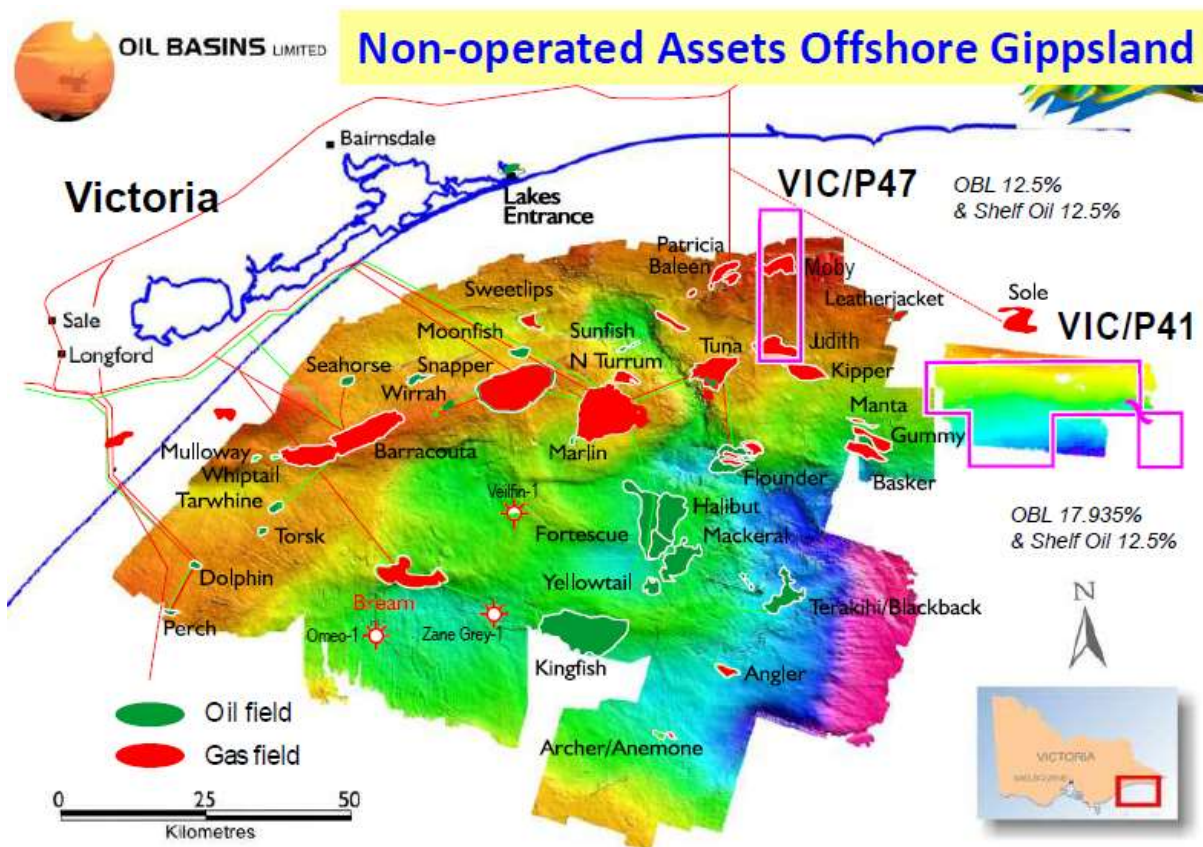


Figure 7
Company's Exploration Interests in the Gippsland Basin

Vic/P41 Extension Approved

OBL advised on 23 October 2014 that the Vic/P41 Joint Venture had recently attained consent and approval of the National Offshore Petroleum Titles Administrator (**NOPTA**) for the suspension and extension of the current mandatory Year 3 Work Program by a period of 6 months until 28 May 2015 and the extension of the 5 year term until 28 May 2017 (refer to **Table 1**).

The revised Vic/P41 Permit minimum work program is shown in **Table 1** below.

Year of Term of permit	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Estimated Expenditure (\$A)
1	29/11/2011	28/11/2012	Geotechnical Studies (completed)	150,000
2	29/11/2012	28/11/2013	430 km2 3D seismic Reprocessing (complete), Quantitative Interpretation (complete), Other	800,000
3	29/11/2013	28/05/2015	Geological and Geophysical Studies	200,000
4	29/05/2015	28/05/2016	1 Exploration Well	30,000,000
5	29/05/2016	28/05/2017	Geotechnical Studies	150,000

Table 1 Vic/P41 Remaining minimum work program commitments and revised dates

Recoverable Prospective Resource Update.

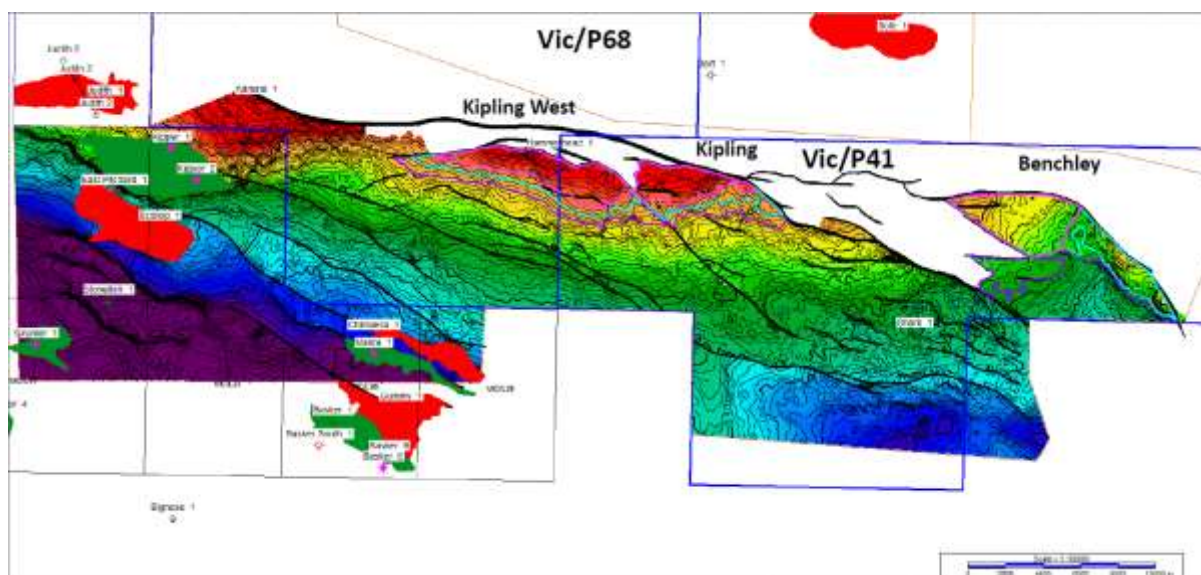


Figure 8

Offshore Exploration Permit Vic/P41 – 3D seismic and AVO defined Prospects
OBL Group net 35.435%

The operator BAS on 29 October 2014 reported that the superior resolution of the Nomb 3D dataset has allowed detailed analysis of the Rosedale Fault System, pinch-out of the Golden Beach Subgroup reservoir and the extent of the volcanic top seal. The revised prospective resource estimates are provided in **Table 2** below.

Source BAS ASX Release 29 October 2014		GIPPSLAND BASIN					
Gross Resources		Recoverable Prospective Resources SPE PRMS					
Prospect	Permit	Low Estimate		Best Estimate		High Estimate	
		Gas (Bcf)	Liquids (MMbbl)	Gas (Bcf)	Liquids (MMbbl)	Gas (Bcf)	Liquids (MMbbl)
Kipling	100% Vic/P41	242	9	410	20	644	30
Kipling West	Vic/P41 & Vic/P68	244	11	322	15	595	29
Benchley	100% Vic/P41	247	12	413	19	623	30
Stanton	100% Vic/P41	41	2	52	3	66	3
TOTAL		774	34	1,197	57	1,928	92

Table 2 – Gross Recoverable Prospective Resource

Liquids represent condensate, propane and butane

BAS reports that its previous ASX Release estimated a total prospective resource of:

- Low 507 Bcf, 24 MMbbl liquids
- Best 740 Bcf, 35 MMbbl liquids
- High 2,279 Bcf, 109 MMbbl liquids

The mapping of the Nomb 3D dataset has resulted in a 53% increase in the low estimate to 774 Bcf and a 62% increase in the best estimate to 1,197 Bcf of recoverable prospective resources across the two permits (with an OBL estimated 80% wholly within Vic/P41).

As expected, the high estimate has been constrained slightly with the improvement of the data.

BAS further reports that the low and best estimate of recoverable resource in each of the mapped prospects (excluding Stanton – which is not covered by the Nomb 3D) is likely to represent a commercial development upon exploration success.

Net Impact to Oil Basins Limited

Using the BAS reported figures in Table 1 and assuming that circa 50% of the new West Kipling Prospect is situated within both Vic/P41 and the contiguous 100% owned BAS Permit Vic/P68 (immediately to the west), the net 35.435% impact to OBL prospective resource estimates are provided in Table 3 below.

Net Oil Basins Limited		GIPPSLAND BASIN VIC / P41 ONLY					
OBL net interest 35.435%		Recoverable Prospective Resources SPE PRMS					
Prospect	Permit	Low Estimate		Best Estimate		High Estimate	
		Gas (Bcf)	Liquids (MMbbl)	Gas (Bcf)	Liquids (MMbbl)	Gas (Bcf)	Liquids (MMbbl)
Kipling	100% Vic/P41	85.8	3.2	145.3	7.1	228.2	10.6
Kipling West*	Vic/P41 net 50%	43.2	1.9	57.1	2.7	105.4	5.1
Benchley	100% Vic/P41	87.5	4.3	146.3	6.7	220.8	10.6
Stanton	100% Vic/P41	14.5	0.7	18.4	1.1	23.4	1.1
TOTAL NET OBL		231.0	10.1	367.1	17.5	577.8	27.5
TOTAL NET OBL	MMBOE	48.6		78.7		123.8	

* Assuming the Kipling West Prospect is split approximately 50 / 50 between Vic/P41 and Vic/P68

Table 3 – Net OBL Recoverable Prospective Resource Vic/P41							
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Liquids represent condensate, propane and butane

Barrels of oil (bbl) equivalent (BOE) assumed conversion at 6000 cubic feet gas per bbl

Whilst further assessments of the exact split of West Kipling between both Permits Vic/P41 and Vic/P68 are still to be finalised, **OBL's net position is estimated as:**

Low Estimate: Net 231.0 Bcf and 10.1 MMbbls liquids (circa Net 48.6 MMBOE)
Best Estimate: Net 367.1 Bcf and 17.5 MMbbls liquids (circa Net 78.7 MMBOE)
High Estimate: Net 577.6 Bcf and 27.5 MMbbls liquids (circa Net 123.8 MMBOE)

The new work recently completed by the Vic/P41 Joint Venture confirms that the Golden Beach formation in the East Gippsland Rosedale Fault Trend is highly prospective with a best case potential prospective recoverable P50 resource of circa 1.2 Tcf wet gas (based upon rigorous assessment of the Kipper analogue) and given the nearby existing infrastructure and recent significant increase in the east coast gas prices combines to make this a highly attractive and unique Farmin opportunity.

Permit Vic/P47 – OBL Group 25%

On 3 July 2014, the Company advised that it has attained approval and registration by the National Offshore Petroleum Titles Administrator (NOPTA) for the acquisition and transfer of a 25% interest in Vic/P47, including the Judith Gas Discovery and Moby Gas Field Location, to the OBL Group.

The offshore regulator NOPTA has approved that the transfer of the 25% interest in Vic/P47 be equally divided between OBL and OBL's wholly owned subsidiary Shelf Oil Pty Ltd.

The Vic/P47 Joint Venture Participants are now:

Sequest Petroleum Pty Ltd	40.00% and Operator
Eneget N.L.* ASX code ENX)	19.25%
Moby Oil & Gas Ltd	15.75%
Oil Basins Limited (ASX code OBL)	12.50%
Shelf Oil Pty Ltd (OBL wholly-owned subsidiary)	12.50%

* subject to NOPTA approval and registration

The Vic/P47 permit comprising 3 graticular blocks (circa 243 sqkm) is located in the offshore Gippsland Basin, 14 km from the coast and south of the Victorian town of Orbost with water depths ranging up to 80 metres – refer to the Vic/P47 Location Map (**Figure 7**).

Subsequent to quarter-end OBL wishes to advise that the Vic/P47 Joint Venture (OBL Group 25%) has recently on 15 October 2014 lodged a formal application to vary the Vic/P47 Year 5 work program to comprise reprocessing 200 sqkm of the Northern Fields 3D over the southern part of Vic/P47 and conducting a seismic inversion of the new reprocessed 3D in lieu of drilling an exploration well.

Shelf Oil

So as to further assist funding and liberating value to shareholders, OBL also offers Shelf Oil Pty Ltd as an immediate entry platform for a third party into the now high priced East Coast Gas Market. In addition to owning net 17.5% of Vic/P41 (highly prospective for wet gas), Shelf Oil owns net 12.5% of nearby petroleum exploration permit Vic/P47 which hosts the undeveloped Judith Gas Field and the undeveloped Moby Location (all defined in 3D seismic).

Marketing of the Shelf Oil divestment opportunity continued during the September quarter. A number of new confidentiality and non-circumvention agreements have been executed with third parties during and subsequent to the September quarter.

INTERESTS IN PETROLEUM PERMITS

Petroleum Tenement	Location	Beneficial Percentage held	Interest acquired/granted during the quarter	Interest disposed/farm-out during the quarter
Vic/P47	Victoria	25%	-	-
Vic/P41	Victoria	35.435%	-	-
Cyrano R3/R1	Western Australia	100% +	-	-
Backreef Area	Western Australia	100% +	-	-
EP 487	Western Australia	50% +	-	-

+ operator

CAPITAL RAISINGS & ISSUES

On 30 June 2014 OBL announced that it had agreed the placement of 35 million new ordinary OBL shares at \$0.0125 (**1.25 cents**) per share raising a gross amount of \$437,500.

Funds so raised were for general working capital purposes and to maintain and/or assist the Company's leverage to pay out the Lind convertible security which was announced to the ASX on 11 July 2014.

The June 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.

On 15 September 2014, OBL announced that it has agreed the placement of 70 million new ordinary OBL shares at \$0.008 (**0.8 cents**) per share raising a gross amount of \$560,000.

Funds so raised will be used for general working capital purposes and to maintain and/or assist the Company's leverage to attractive and highly prospective assets (e.g. Derby Block and Vic/P41) within its portfolio.

The placement was made to existing sophisticated investors. Normal placement fees were paid on this capital raising.

On Monday 15 September 2014 OBL announced a Share Purchase Plan (**SPP**) was being instigated to enable eligible shareholders who were registered at 7pm (Melbourne time) on Friday 12 September 2014 to invest further in the Company by allowing them to acquire further shares at a discount to the then market price.

The SPP was priced at at \$0.008 (**0.8 cents**) per share – an 11.1% discount to the ASX closing price for OBL ordinary shares on Friday 12 September 2014 – and closed on 6 October 2014. The SPP successfully raised \$405,000 before costs. In accordance with the Share Purchase Plan, OBL allotted 50,625,000 fully ordinary shares at an issue price of \$0.008 (**0.8 cents**)

OBL advised that the Company was pleased with the response from 62 eligible shareholders and wishes to thank all those who participated in the offer for their on-going support.

On 17 March 2014 OBL announced that it had secured a funding agreement, with The Australian Special Opportunity Fund, LP a New York-based institutional investor managed by The Lind Partners Australia, LLC (collectively **Lind**), for a total funding commitment of up to AU\$7.25 million.

On 23 October 2014, OBL advised that with the successful completion of the recent September Placement and SPP, the Company has requested and obtained (as contemplated in the Lind transaction) a three month pause of the ongoing monthly tranche issuances.

Working capital funding amounting to \$550,000 was obtained in accordance with the Lind facility, with a total of 73,137,626 new OBL ordinary shares issued at an average price of \$0.00752 (**0.752 cents**) per share, and this funding support has provided the Company with **sufficient collateral during both the June 2014 and September 2014 quarters** to engage consultants to complete the Derby Block F&F Survey, complete and lodge the GEP Seismic, execute the Vic/P47 asset acquisition documentation with NOPTA, and maintain overall long-term balance sheet funding (satisfying both regulators and auditors as to long-term funding support) under challenging market conditions for the Company.

CASH POSITION:

Cash and near-term cash holdings at 30 September 2014 (**following the September SPP receipts**) were circa \$673,000.

Neil F Doyle, SPE
Director & CEO

31 October 2014

GLOSSARY & PETROLEUM UNITS

M	Thousand
MM	Million
B	Billion
bbl	Barrel of crude oil (ie 159 litres)
PJ	Peta Joule (1,000 Tera Joules (TJ))
Bcf	Billion cubic feet
Tcf	Trillion cubic feet (ie 1,000 Bcf)
BOE ₆	Barrel of crude oil equivalent – commonly defined as 1 TJ equates to circa 158 BOE – approximately equivalent to 1 barrel of crude equating to 6,000 Bcf dry methane on an energy equivalent basis
PSTM	Pre-stack time migration – reprocessing method used with seismic.
PSDM	Pre-stack depth migration – reprocessing method used with seismic converting time into depth.
AVO	Amplitude versus Offset, enhancing statistical processing method used with 3D seismic.
TWT	Two-way time
FMT	Formation testing (pressure & sampling) tool, also known as a MDT
TD	Total depth
GIP	Gas in Place
CSG	Coal seam gas (CSG) or alternatively known as coal seam methane (CSM) is natural gas sourced from coal. Methane = CH ₄ = H-H-C-H-H, which is the same as: conventional gas, landfill gas, peat gas. CSM is produced during the creation of coal from peat. The methane in CSM is adsorbed onto the surface of micropores in the coal. The amount of methane adsorbed increases with pressure. CSM is expelled from the seam over geologic time because coal has the capacity to hold only about a tenth of the methane it produces. Apart from power station applications, high quality methane can be used as a valuable feedstock for petrochemical plants such as urea, ammonia, ammonium nitrate, gas to liquids (diesel) and LNG production
USG	Unconventional shale gas
USO	Unconventional shale oil
STOIIP	Stock tank oil in place (stabilised crude at atmospheric conditions) – also commonly referred to as Oil in Place (OIP)
BCGA	Basin Centred Gas Asset
L6	Production Licence 6

DISCLAIMER – GENERAL

Prospective Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. Investors should not infer that because “prospective resources” are referred to that oil and gas necessarily exist within the prospects. An equally valid outcome in relation to each of the Company’s prospects is that no oil or gas will be discovered.

Technical Reserves in this preliminary assessment are considered similar to the definition of Contingent Resources (ie Low Estimate and High Estimate) with the following important caveat - it must be appreciated that the risked volumes as reported in terms of undeveloped Contingent Resources and Prospective Resources are risk assessed only in the context of applying ‘Geological Chance of Success’. This degree of risk assessment does not incorporate the considerations of economic uncertainty and commerciality and consequently no future development as such can be assured.

The technical information quoted has been compiled and/or assessed by Company Director Mr Neil Doyle (from a number of sources) who is a professional engineer (BEng, MEngSc - Geomechanics) with over 33 years standing and a continuous Member of the Society of Petroleum Engineers since 1981 (SPE 30 Year Club Member) and by Mr Geoff Geary who is a professional geologist (BSc – Geology) with over 30 years standing and who is also a Member of the Petroleum Exploration Society of Australia. Both Mr Doyle and Mr Geary have consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear. Investors should review the ASX materials and independent expert reports previously quoted and the important definitions and disclaimers attached.