



OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT March 2015

Oil Basins Limited (**OBL** or **Company**) is pleased to present its March 2015 Quarterly Report.

MARCH QUARTER OPERATIONS REPORT

OPERATIONS HIGHLIGHTS

During the quarter ended 31 March 2015, OBL completed the following:

- **Focus during the quarter has been predominantly on finalising the Company's ownership and operatorship of EP487 (Derby Block) and implementation of the DMP's approved work program including re-submitting the Environmental Plan (2D Seismic) with particular focus on exploration of Basin Centred Gas (ie Wet Laurel Tight Gas).**
- On 6 February 2015, the Company appointed a full time Principal Environmental Adviser based in Perth to be responsible for all operational environmental management.
- On 30 March 2015, OBL resubmitted the revised EP487 Derby Environmental Plan Seismic (**EP**) previously lodged with DMP Environment (**DMP**) on 31 October 2014. The new EP was submitted on time and within budget.
- Planning continues for a 500km 2D seismic survey commencing late in 3Q2015.
- On 8 January 2015, OBL received formal approval and registration from the regulator NOPTA consenting to OBL's wholly owned subsidiary Oil Basins Royalties Pty Limited attaining a 2.0% over-riding royalty interest (**ORRI**) on all hydrocarbons produced within the three graticular blocks comprising offshore Gippsland Basin permit Vic/P47 and in particular the undeveloped Judith and Moby gasfields.
- In early February 2015, the Vic/P41 Joint Venture applied for an extension of the Year 3 Vic/P41 Work Program, which was duly approved by the regulator NOPTA for a further 6 months on 17 April 2015.

DERBY BLOCK UPDATE

Update on third party ownership claims to Derby Block:

- On 2 January 2015, Buru Energy Limited (ASX code: **BRU**) announced that it had not renewed its agreement with Backreef Oil Pty Ltd (**BOPL**) which lapsed on 31 December 2014, and consequently its claim to a 50% interest in the Derby Block effectively lapsed.
- On 27 January 2015, Octanex NL (ASX code: **OXX**) by its wholly owned subsidiary Octanex Operations Pty Ltd (**Operations**) had, after expiry of a year's extension, decided to terminate

the Deed of Sale and Co-Operation made between Operations and OBL dated 23 January 2013. As a result OXX has no interest in or claim on EP487 (Derby Block).

- On 28 November 2014, Rey Resources Limited (ASX code: **REY**) announced that its wholly owned subsidiary Rey Lennard Shelf Pty Ltd (**RLS**) had entered into an Asset Sale Agreement with BOPL for its interest in the Derby Block under certain prescribed terms and conditions. Subsequently, on 2 January 2015, REY advised that with BRU's withdrawal one condition had been met and that "RLS will also assume the conduct of, and bear the costs of, the SAT proceedings and outstanding legal claims on BOPL by Oil Basins in the WA District Court and Magistrates Court in connection with the expenses incurred on management of the Derby Block to date. RLS will have the ability to terminate the Agreement and be relieved from any obligation to conduct and bear the costs of these proceedings at any time on the giving of 14 days' notice to BOPL."

WA State Administration Tribunal:

During August 2014, the Company made an application to the WA State Administrative Tribunal (**SAT** or the **Tribunal**) under the *Petroleum and Geothermal Energy Resources Act 1967* asking SAT to order rectification of the Petroleum Register and to order the removal of BOPL from the title of EP487 (Derby Block).

The Tribunal found that while the OBL application was legitimate, the entry was not 'wrongfully existing' in the Register, hence the application was dismissed.

Payment of outstanding Derby Block Cash Calls:

- Since early 2013, OBL has been funding 100% of Derby Block costs, including the costs of the Federal Court Appeal by native title applicants which OBL won comprehensively on 23 December 2013, and almost all the costs since grant of the Derby Block was awarded by the DMP on 14 March 2014.
- OBL also in 2HY2014 commenced legal action in the WA District Court and WA Magistrates Court for non-payment of cash calls by BOPL, the total net amount immediately claimed (excluding 2013 back-costs but including legal costs) amounted to approximately \$180,000.
- **Magistrates Court Proceedings** – the Magistrates Court matter has been formally settled out of Court, with OBL receiving circa \$17,000, being the claimed amount together with a contribution towards costs.
- **District Court Proceedings** – confidential mediation conferences in the proceedings were held on 19 February 2015, 20 March 2015 and 31 March 2015 with orders for another mediation conference is to be conducted on 6 May 2015, at which the Registrar has requested the attendance of OBL, BOPL and REY. The Company is seeking to recover over \$160,000 including legal costs of more than \$30,000. Failure of mediation will result in a full hearing which would be expected to commence at the earliest in late May or June 2015.
- **Discussions with REY and BOPL** – with OBL's unsuccessful application to SAT and settlement out of court of the Magistrates Court action in OBL's favour, OBL has subsequent to the quarter-end renewed confidential discussions with REY and BOPL (previously terminated in February 2015) with a view to finalising a mutually agreed settlement of all outstanding matters prior to any imminent resumption of the District Court legal action. At the time of writing this report, progress with REY and BOPL has been made and confidential discussions are continuing.

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 | 100%+ | - | - |
| Vic/P41 | Victoria | 35.435% | - | - |
| Cyrano R3/R1 | Western Australia | 100% + | - | - |
| Backreef Area | Western Australia | 100% + | - | - |
| EP487 | Western Australia | 50% + | - | - |

+ Operator

ROYALTY INTERESTS

With the recent approval of a royalty in offshore Gippsland Basin permit Vic/P47, OBL's wholly owned subsidiary Oil Basins Royalties Pty Ltd now owns the following over-riding royalty interests (**ORRI**):

| | |
|---------------------|-----------|
| Cyrano R3/R1 | 2.0% ORRI |
| Judith/Moby Vic/P47 | 2.0% ORRI |

CAPITAL RAISINGS

On 7 January 2015, OBL announced that it had agreed the placement of 47 million new ordinary OBL shares at \$0.005 (**0.5 cents**) per share raising a gross amount of \$235,000.

Subsequent to quarter-end, on 27 April 2015, OBL announced that it had agreed the placement of 72.5 million new ordinary OBL shares at \$0.004 (**0.4 cents**) per share raising a gross amount of \$290,000.

Funds so raised were for general working capital purposes and to maintain and/or assist the Company's leverage to both the Derby Block and its offshore Gippsland Basin portfolio.

Also, it should be noted that the Lind facility is still in place and has not been yet reactivated for use.

CASH POSITION:

Cash and near-term cash holdings at 31 March 2015 was circa \$143,000 which will increase to over \$400,000 following the recent placement announced on 27 April 2015.

Neil F Doyle, SPE
Director & CEO
30 April 2015

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 |
| 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.