



OIL BASINS LIMITED

ABN 56 006 024 764

1 June 2015

ASX Markets Announcements
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
Sydney NSW 2000

Dear Sirs

DERBY BLOCK JOINT VENTURE RESOLVED

The Directors of Oil Basins Limited (**OBL** or the **Company**, ASX code **OBL**) are pleased to announce that formal agreement by way of a binding executed Deed of Settlement and Release (**Deed**) has been reached with its former Petroleum Exploration Permit EP487 (**EP487** or **Derby Block**, refer to **Figure 1**) application partner Backreef Oil Pty Limited (**BOPL**) and new partner Rey Resources Limited (ASX code **REY**).

Under the binding terms of the Deed all legal issues/actions between OBL and BOPL have been resolved and OBL and REY have reached formal agreement whereby REY's wholly owned subsidiary Rey Lennard Shelf Pty Ltd (**RLS**) will, subject to regulatory approval, attain a 50% interest in the Derby Block.

A formal Joint Operating Agreement has also been executed upon settlement.

On registration the EP487 Joint Venture will comprise:

Oil Basins Limited (ASX code OBL)	50% and operator
Rey Lennard Shelf Pty Ltd	50%
<i>wholly owned subsidiary of Rey Resources Limited (ASX code REY)</i>	

Impact to OBL

OBL welcomes resolution of all the disputes with former application partner BOPL and now looks forward to working with REY in exploring Permit EP487 (Derby Block).

- All Derby Block legal actions are resolved to OBL's satisfaction.
- OBL and RLS become 50/50 joint venture partners in the Derby Block.
- OBL receives \$391,000 in cash from REY.

- OBL Group attains a gross 1% ORRI in the Derby Block on RLS's 50% of EP487 (for part compensation of back costs).
- OBL is the continuing Operator of the Derby Block for the approved Work Program (WP).
- OBL can seek farmin partners to offer an attractive farmin fund (shared by both joint venture partners) with a minimum 2 year WP free carry.

OBL as Operator EP487 (Derby Block) has advanced the DMP approved Year #1 Work Program for conducting a 500 line km 2D seismic survey in 4Q2015 (budgeted at gross circa \$4.0 million).

The Deed approves current outstanding cash calls and payments for the approved WP until circa mid-2015.

Settlement Terms

With the Deed of Settlement and Release (**Deed**) now executed, OBL is pleased to report the following:

1. OBL is confirmed as Operator of EP487 (Derby Block) until 1 January 2016 or as extended with an OBL introduced third part farminee (see below).
2. All legal actions have now been terminated with BOPL to OBL's satisfaction (OBL has recovered its unpaid payments and a majority of its legal costs).
3. Upon settlement, in addition to previous payment to OBL of circa \$19,000 for the out of court settlement of the Magistrates Court matter, OBL will receive \$368,000 in part-payment of backcosts and payment relating to the District Court matter.
4. OBL and RLS have executed a Joint Operating Agreement for EP487.
5. In addition, under the Deed an agreed forward 2015 work program has been approved and a budget of circa \$166,000 has been funded 50/50 with the immediate focus to finalise as soon as possible the EP487 Environmental Plan for seismic acquisition and stakeholder engagement.
6. In addition, as part of the settlement, RLS has granted OBL a 1% overriding net royalty interest (ORRI) payable on its 50% interest of EP487.

Farmout

Upon settlement, as permitted under the Deed, OBL will seek farmin interest from suitably qualified third parties (Farminee) for a joint farmout of 50% of EP487 with minimum terms on a 2 for 1 basis, and including:

- 1) Re-imbusement for back costs (from the date of grant of EP 487);
- 2) Obligation to complete the 500 km 2D seismic during WP Year #1 on a two for one promote; and
- 3) Obligation to drill and complete a minimum of two USG wells during WP Year #2 on a two for one promote.

With the Joint Venture's support/concurrence OBL will propose to the Farminee an acceleration of the existing EP487 Year #1 and Year #2 WP.

OBL has the right to seek a progressive two stage farmout with the Farminee over WP Year #1 (Stage 1) and WP Year #2 (Stage 2). For each Stage, for an agreed funding, the Farminee will be assigned an agreed interest in EP 487, equally sourced from RLS and OBL up to an aggregate total 50% interest for both Stages

RLS has the right to introduce an offer on the same or better terms from another third party that is equivalent to the OBL proposal and that can be finalised within the same time period.

If a successful farmout is secured by OBL, should the introduced Farminee require OBL to remain Operator on its behalf until its farmin is complete, OBL will remain Operator until the end of the Year #2 work program (as extended or varied by the DMP).

Should no farmout occur by 31 December 2015, then RLS will become the Operator on 1 January 2016.

Way Forward

OBL welcomes resolution of all the disputes with former application partner BOPL and now looks forward to working with REY in exploring EP487 (Derby Block) refer to **Figure 1**.

REY is an established and committed Canning Basin exploration partner with both petroleum exploration and undeveloped coal assets in close proximity to the Derby Block.

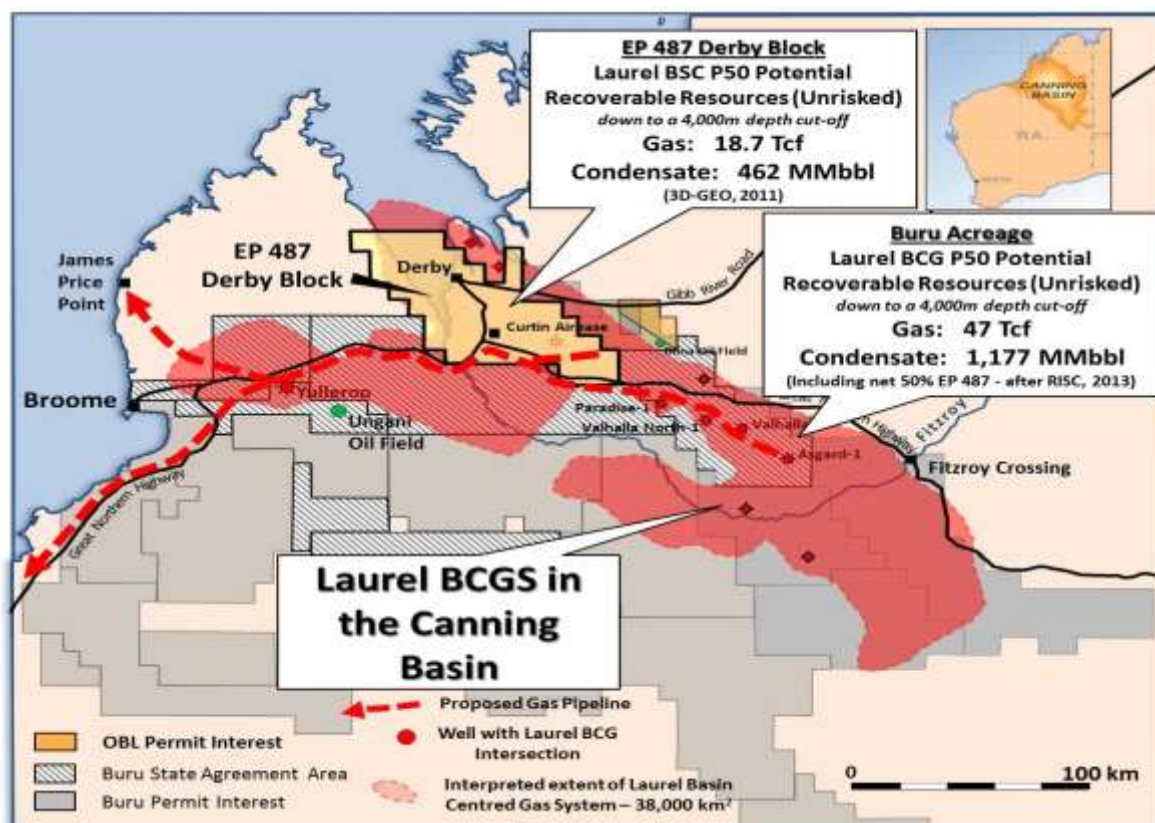


Figure 1

Company's exposure to the new Laurel Wet BCG Play is significant with gross 18.7 Tcf USG P50 delineated in Derby Block down to 4000m, increasing to gross 32 Tcf USG P50 down to 5000m (OBL ASX Release IER dated 14 February 2013)

With the ownership of the Derby Block and way forward now agreed, on behalf of the joint venture OBL will seek interest from suitably qualified Third Parties to assist in the exploration and development of the highly prospective and strategically well-positioned Wet Laurel BCG prognosed to occur within EP487 (Derby Block).

Yours faithfully

A handwritten signature in black ink, reading "Neil F. Doyle". The signature is written in a cursive style with a large, sweeping initial "N".

Neil Doyle SPE
Director & CEO