



OIL BASINS LIMITED

ABN 56 006 024 764

15 February 2016

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

Dear Sirs

LEGAL PROCEEDINGS & DERBY BLOCK UPDATE

Oil Basins Limited (ASX code **OBL**, or the **Company**) make the following update regarding onshore petroleum exploration permit EP487 (Derby Block) as a matter of record.

OBL advises that it has been served with a Summons filed in the Supreme Court of Western Australia dated 10 February 2016 and a Notice of Defendant under the *Service and Execution Process Act 1992*. The action has been brought by Rey Resources Limited (ASX Code: **REY**) and its subsidiary Rey Leonard Shelf Pty Ltd (**RLS**).

The principal issue relates to an RLS claim of its right to be Operator of EP487 from 1 January 2016 under the Deed of Settlement and Release executed on 29 May 2015.

OBL makes no detailed comment as to the Summons at this point in time other than to say It believes RLS is not qualified to be Operator and that OBL is required to be Operator by virtue of the terms of the grant of petroleum exploration permit EP487 and in compliance by the EP487 JV with the detail of various regulatory prescriptions and WA Department of Mines and Petroleum (**DMP**) Guidelines. It is intended that the legal proceedings, which could take some time to be heard, will be solidly defended. Meanwhile, OBL remains as Operator and is taking the necessary steps to undertake the work program in EP487.

Derby Block Update

(a) EP487 Year 1 cash call payment

OBL also confirms that on 11 February 2016 it received a payment of circa \$154,000 from its EP487 joint venture partner Rey Lennard Shelf Pty Limited to complete the outstanding Year 1 cash calls. OBL is pleased to advise that the Year 1 Work Program is now complete.

(b) Operatorship

OBL is a long established, compliant and experienced operator both onshore and offshore with the DMP and NOPTA since 2010. OBL takes its undertakings and legal obligations under the grant very seriously and has recently taken steps to seek early appointments of a highly experienced Perth based Operations Manager and an HSE Manager (both of who have worked with OBL previously) to join its existing Perth based Environmental Manager and Melbourne based Exploration Manager to assist in the preparation of all Environmental Management, Safety Management and Drilling Management Systems (as required under the DMP 2015 Guidelines and grant).

OBL confirms that it has not resigned as Operator of EP 487 and continues to prepare for implementing the recently awarded Year 2 Work Program variation in the interest of all stakeholders.

(c) EP487 Year 2 Work Program

On 3 February 2016, the WA DMP deemed the Year 1 Permit EP487 Work Program complete and approved the Year 2 Work Program variation to drill two deep wells in EP 487 focusing on Laurel Formation unconventional Basin Centred Gas (**BCG**) and condensate prospects characterized by low permeability reservoirs.

As required in compliance with the terms of grant, the proposed Year 2 Plan will be presented to the DMP (within circa 2 months of end of Year 1).

Further details will be announced in due course once the Year 2 Plan and Budget have been approved by the EP487 Joint Venture.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Neil F. Doyle', with a stylized flourish at the end.

Neil Doyle SPE
Director & CEO