



OIL BASINS LIMITED

ABN 56 006 024 764

1 March 2016

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

Dear Sirs

DERBY BLOCK UPDATE NEW WELL LOCATIONS DEFINED

HIGHLIGHTS

- **OBL as Operator of WA onshore Permit EP487 Derby Block has defined 4 drilling locations within its newly mapped Unconventional Wet Laurel Tight Basin Centred Gas (BCG) Play earlier presented to shareholders at the OBL AGM on 30 November 2015 – refer to ASX releases 30 November 2015 and 15 January 2016.**
- **OBL will now seek to advance two of these prospects for drilling in 2016.**
- **REY confirms to the ASX in its 26 February 2016 Right Prospectus rights prospectus that it doesn't have petroleum operating experience.**

Oil Basins Limited ("**OBL**" or the "**Company**"; ASX code "**OBL**") advises the following to keep stakeholders fully informed.

Derby Block Update

(a) EP487 Year 1 cash call payment

As previously announced to the ASX on 15 February 2016, OBL a confirms that it received an adjusted revised payment of circa \$154,000 from its 50% EP487 joint venture partner Rey Lennard Shelf Pty Limited to complete its outstanding Year 1 cash calls.

OBL is pleased to advise that the Year 1 work program is now complete.

(b) Operatorship

OBL confirms that it has not resigned as Operator and continues to prepare for planning of the its recently submitted and awarded Year 2 work program variation and the following update is presented in the interest of all stakeholders.

On 15 February 2016, OBL advised 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.

Again, 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 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.

OBL acknowledges the following;

Recently on 26 February 2016, REY issued a non-renounceable rights prospectus to raise circa \$3.721 million. Within section **6.3 Specific Risks factors of the offer document** REY made the following factual statements:

“..... (k) Lack of Operating History

Neither the Company (ie REY) nor its petroleum or mining or exploration tenements have any significant operating history. There can be no assurance as to the results of any proposed exploration program, engineering or feasibility study and until a production operation is developed, the Company anticipates that it will incur ongoing operating losses. No assurances can be given that the Company will be able to initiate or sustain successful production operations or that its operations will achieve commercial viability.

(q) Key Executives

The Company (ie REY) operates, and proposes to continue operating, with a small team of experienced professionals including consultants. The loss of certain personnel could cause material disruption to the Company's activities in the short to medium term.”

On the contrary, 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 highly experienced Perth based Operations Manager and 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 both under the DMP 2015 Guidelines and the terms of grant).

(c) Proposed EP487 Year 2 Work Program

On 3 February 2016, the WA DMP deemed the Year 1 Permit EP487 Work Program complete and approved the 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.

Derby Block Prospectivity

Three prospects have been delineated within EP487 (Derby Block) differentiated by reservoir, thickness and depth of burial. All are Laurel reservoir plays (likely characterized by low permeability) defined as unconventional Basin Centred Gas (**BCG**) and Condensate Stratigraphic Plays (none is mapped with structural closure). Refer to OBL ASX Release 30 November 2015. All have significant potential for condensate production and possibly oil (based on the oil recovery at Wattle-1).

- **West Kimberley Laurel BCG, Condensate & Oil Prospect** – This prospect is defined by the newly recognized Lower Laurel delta reservoir play, principally possible reservoir sands developed in delta topset and foreset sequences. The Upper and Middle Laurel sequences also have exploration potential.
- **Yeeda Laurel BCG & Condensate Prospect** – Principally an Upper Laurel reservoir play drilled by East Yeeda-1. Deeper potential is present in the Middle and Lower Laurel (> 3,500 m). The play Similar to the Yulleroo gas discovery and prognosed as an extension of the Valhalla / Paradise Wet Laurel BCG System (Buru Energy / Mitsubishi) to the east.
- **Great Northern Laurel BCG & Condensate Prospect** – similar to and possibly an extension of the Yeeda Laurel BCG Prospect with similarities to the Yulleroo Gas Field to the south west.

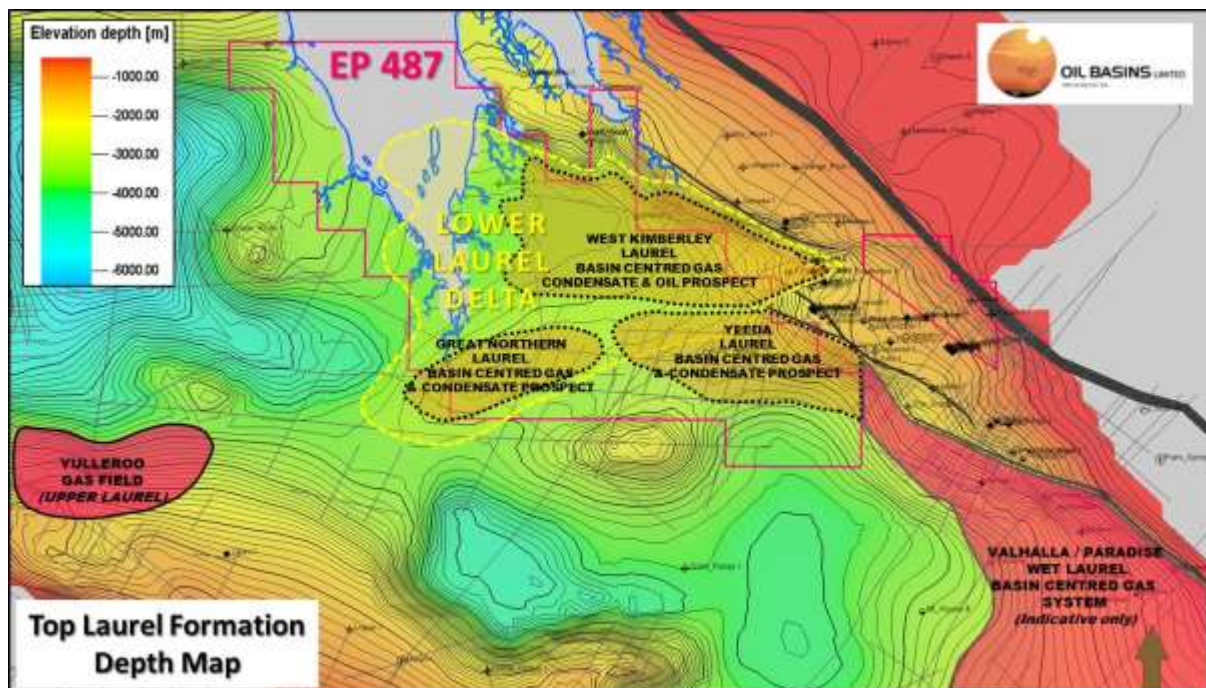


Figure 1

New OBL Mapping Eastern Onshore Section of Permit EP487 (Derby Block) showing Laurel Reservoir Prospect Plays (OBL ASX Release dated 30 November 2015)

Prospective Potential Recoverable Resources – Laurel Basin Centred Gas & Condensate

The EP 487 Joint Venture believes that the permit could have the potential to be a new regional energy source. With new mapping completed in November 2015 and finalised in January 2016, OBL contracted 3D-GEO Pty Ltd (3D-GEO) to conduct an Independent Expert assessment of the Basin Centred Wet Gas Potential of the new plays delineated by OBL. This followed an earlier assessment by 3D-GEO in 2012 based on regional mapping of the entire Canning Basin for the WA DMP in PetrelTM. This earlier study delineated gross potential recoverable P50 resources of 18.7 Tcf and 461.9 MMbbl of associated condensate in accordance with SPE PRMS (2011) – refer to OBL ASX Release 14 February 2013.

In 2015/16, 3D-GEO reprocessed some 144 km of pre-existing vintage seismic data. A number of these reprocessed lines replaced existing seismic in critical areas where the originally processed seismic (SEGY) data was missing. Key to this interpretation was the procurement of two regional lines recorded in 2015 by the WA DMP. Additional public file data on nearby BCG wells drilled in the Canning Basin also became available.

The seismic incorporating the new data was mapped by OBL in late 2015 / early 2016 defining three Laurel prospect play areas (Figure 1). Depth conversion of the TWT maps to depth relied mainly on Time/Depth relationship from the check shot survey at Wattle-1. Time / Depth data was reported as having been acquired from the key East Yeeda-1 well, but was not found in the WCR and associated documents.

It should be noted that this mapping is incomplete as not all of the reprocessed seismic lines had been received when this mapping was finalized.

Based on this mapping by OBL, a **preliminary independent resource assessment** was made by 3D-GEO Pty Ltd on the unconventional, low permeability resource potential across the onshore part of EP 487 – refer to Table 1.

3D-GEO's **preliminary assessment** of the gross prospective potential recoverable resources, in accordance SPE PRMS (2011), of the newly mapped OBL Wet Laurel BCG play is as follows:

Permit EP487 Onshore Eastern Portion	Prospective Resources SPE PRMS (2011)			
Product	P90	P50	P10	Mean
Gas-in-Place Tcf	56.9	142.1	346.5	180.3
Recoverable Gas Tcf	8.5	24.6	71.2	34.3
Recoverable Condensate MMbbl	203.7	614	1815	868
Recoverable BOE (MMBOE)	1,583	4,579	13,268	6,390

Table 1

Preliminary Assessment of Permit EP487
Gross prospective potential recoverable resources (3D-GEO January 2016)

These preliminary results were announced to the ASX subsequent to the December quarter-end on 15 January 2016 and they confirm a significant 31.6% increase in gross potential prospective recoverable P50 resources to 24.6 Tcf within the eastern onshore portion of

Permit EP487 (corresponding gross potential prospective recoverable P50 condensate volumes increase by 32.9% to 614 MMbbls).

In addition, deeper Laurel Basal Shale gross prospective potential recoverable P50 resources down to 5000m have also been mapped and assessed at an additional 4.1Tcf and 103.7 MMbbls of associated condensate.

The overall gross prospective potential recoverable P50 resources down to 5000 m within the onshore eastern portion of the Derby Block is now independently assessed at 28.7 Tcf with 717.7 MMbbls of associated condensate.

All prospective potential recoverable resources have been independently determined in accordance with SPE PRMS (2011) guidelines.

Proposed Well Locations

With the variation of the EP487 work program being granted some near 2 months into the Year 2 work program, in order to advance the preparation of the Environmental Plan to enable drilling approvals to be achieved as required under the grant commitments, OBL as Operator Permit EP487 is proposing two well locations (Well Location 1 and 2) to test two different primary reservoir targets belonging to Middle and Lower Laurel sequences of the **West Kimberley Laurel BCG Condensate and Oil Prospect**. Both of the proposed wells are within Warrwa traditional owner (TO) lands. Location 1 and Location 2 offer valid tests of the Middle and Lower Laurel reservoir plays respectively within reasonable drillable depths (approximately 3800 m). Both are also in close proximity to the Gibb River Road.

Support from the Warrwa people and Mowanjum Community is expected and only one or two pastoral lease landowners will be impacted.

If drilling at Well Location 1 is successful, an alternative to drilling a second well at Well Location 2 or any of the other alternative locations is to drill a horizontal sidetrack from the vertical well through one of the reservoir sequences with a view to undertake testing and possible fracking (fracking).

A third proposed well location (Well Location 3) has been chosen to test the Upper Laurel reservoir sequence of the **Great Northern Laurel Wet BCG & Condensate Prospect** down to a TD of 4000 m. This reservoir play has similarities to the Laurel reservoirs in the Yulleroo Gas Field to the south west and to East Yeeda-1.

East Yeeda-1 (3557m TD Bridge Oil operator 1985) also encountered oil shows in Grant Group sandstones. The proposed location is on a seismic line that is very close to the southern boundary of the Curtin Base Exclusion Area. However this location can be shifted to a location either within location the Curtin Base Area or to the south further away from it. This preferred location is entirely within the Curtin Airbase precinct where native title is extinguished and is offered as an alternative in the event that the primary prospective location (Well Location 1) is dry and which might mitigate drilling the second reservoir objective by Well Location 2.

The fourth proposed well location (Well Location 4) is essentially a re-drill of East Yeeda-1 and is located within Nyikina Mangala traditional land. This well is designed to test gas saturated, low permeability, over-pressured sandstone reservoirs in the Upper Laurel encountered at East Yeeda-1 to a proposed TD of 4000m. High drilling gas readings and a gas kick were encountered in this sequence but conventional DSTs failed to flow. Oil shows were also encountered in Grant Group sandstones. This location is offered as another alternative in the event that the primary prospective location (Well Location 1) is dry and will test the **Yeeda Laurel Wet BCG & Condensate Prospect**.

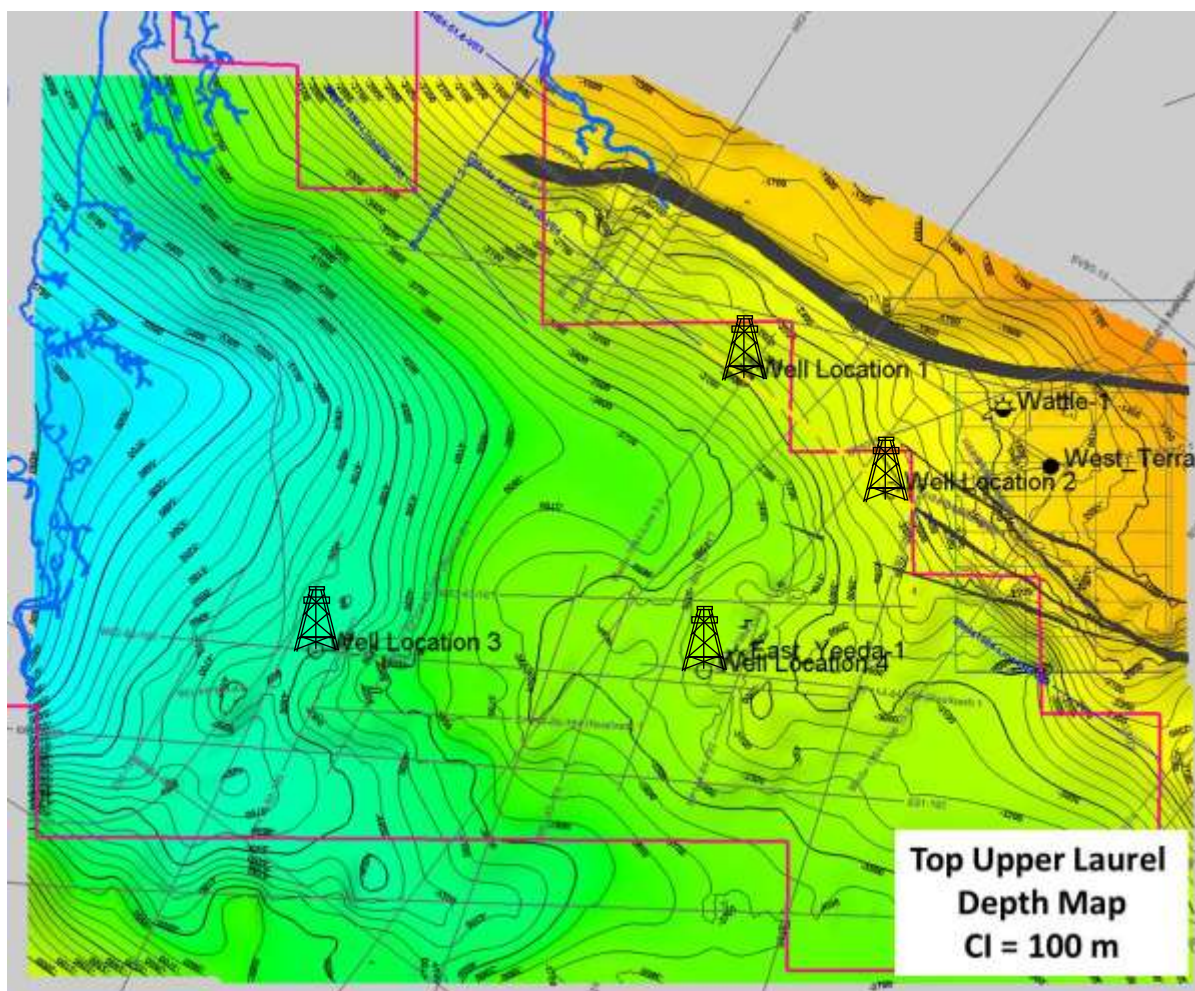


Figure 2

EP 487 Proposed Well Locations for 2016 Drilling Program



Denotes 'indicative well locations' which are located over bisecting vintage 2D seismic

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

Neil Doyle SPE
Director & CEO

ABOUT OIL BASINS LIMITED

Oil Basins Limited (ASX code: **OBL**) is involved in exploration and development of oil and gas in the offshore Gippsland Basin, Victoria, the onshore Canning Basin of Western Australia and the offshore Carnarvon Basin, Western Australia.

ABOUT 3D-GEO PTY LTD

3D-GEO Pty Ltd is a seismic and structural modeling consultancy based in Melbourne, Australia. With a collaborative mixture of petroleum industry experience and academic rigour, 3D-GEO provides innovative solutions to a broad range of clients across the Australasia region and the Middle East. 3D-GEO has extensive exploration experience in fold and thrust belt structural analysis, as well as demonstrated expertise in the extensional basins of Austral-Asia and the Sub-continent.

COMPETENT PERSON STATEMENT

Information on the Reserves and Resources in this release is based on an independent evaluation conducted by 3D-Geo Pty Ltd (3D-GEO). 3D-GEO is a Melbourne-based private consultancy. The work was undertaken by a team of petroleum engineers, reservoir engineers, geoscientists and petrophysicists and is based on data supplied by OBL. The technical assessment was performed primarily by Dr David Briguglio, BSc (Hons), PhD Senior Associate. Dr David Briguglio has highly developed geotechnical and software skills fostered through a series of industry sponsored academic studies, past experience with petroleum operators and current employment with consulting firm 3D-GEO. Since mid-2010, he has been working as an exploration geoscientist with consulting firm 3D-GEO, where he has been responsible for conducting and managing projects involving exploration for petroleum, geothermal and Carbon Capture and Storage (CCS) for clients all over the world. Dr Briguglio was under the supervision of Mr Hadi Nouroollah, Director 3D-GEO. Mr Nouroollah holds the qualification MSc (Petroleum Geoscience) from Imperial College London, has over 13 years of experience as a geophysicist and is an active Member of Society of Exploration Geophysicists (SEG). 3D-GEO's approach has been to review the data supplied by OBL for reasonableness and then independently estimate ranges of in-place and recoverable volumes. They estimated the degree of uncertainty inherent in the measurements and interpretation of the data and have calculated a range of recoverable volumes, based on predicted field performance for the property and Bakken shale analogues in the Petrel TM software packages. 3D-GEO, Dr Briguglio and Mr Nouroollah have given their consent at the date of the release to the inclusion of this statement and the information in the form and context in which they appear in this release.

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 (i.e. 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 resources 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 34 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 32 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.

APPLICABLE RESERVES & RESOURCES REPORTING GUIDELINES & DEFINED TERMS

In the determination and classification of Reserves and Resources, Oil Basins Limited applies the Society of Petroleum Engineers Petroleum Resources Management System (**PRMS Guidelines**). The terms “Contingent Resources” and “Prospective Resources” used in this release are as defined by the PRMS Guidelines (relevant extracts as provided below):

PROVED RESERVES

Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. The area of the reservoir considered as Proved includes:

- the area delineated by drilling and defined by fluid contacts, if any, and
- adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

Often referred to a P1, sometime referred to as “proven” or “Proved”.

PROBABLE RESERVES

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

POSSIBLE RESOURCES

Possible Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves

The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

CONTINGENT RESOURCES

Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources.

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

PROSPECTIVE RESOURCES

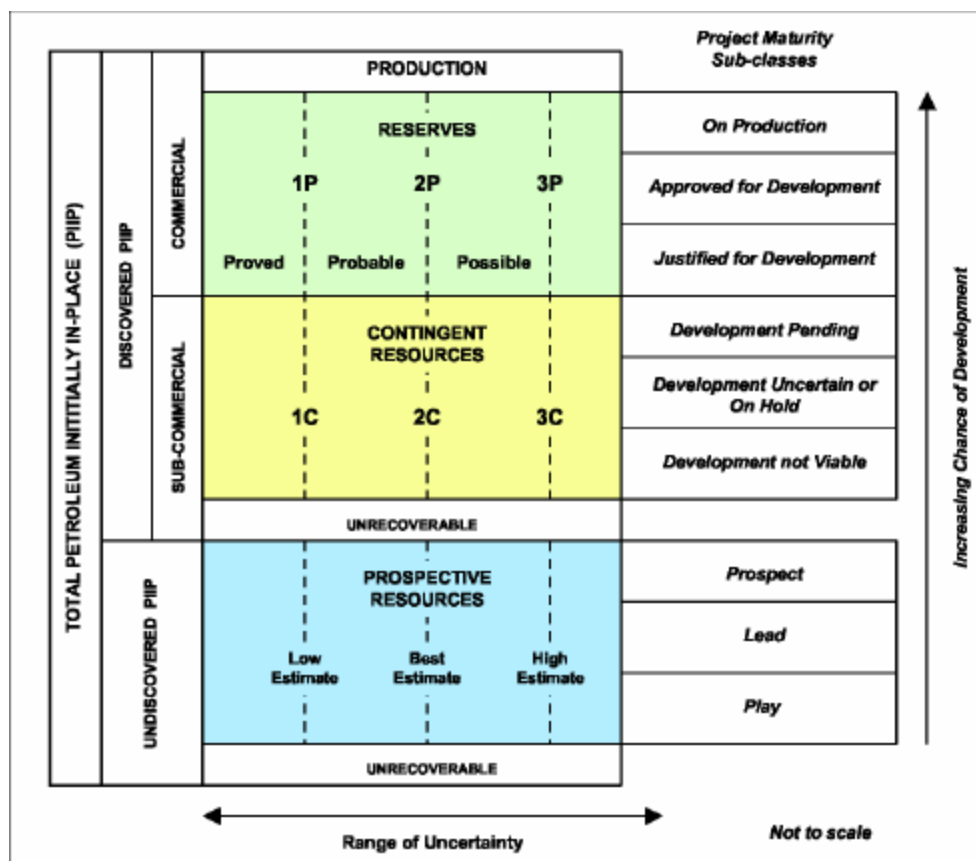
Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analogue developments in the earlier phases of exploration.

Prospect – A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

Lead – A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect. Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play – A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects. Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.



GLOSSARY & PETROLEUM UNITS

M	Thousand
MM	Million
B	Billion
bbl	Barrel of crude oil (ie 159 litres)
stb	Stock tank barrel – barrel of stabilised crude oil at atmospheric pressure
PJ	Peta Joule (1,000 Tera Joules (TJ))
Bcf	Billion cubic feet
Tcf	Trillion cubic feet (i.e. 1,000 Bcf)
BCG	Basin Centred Gas
Bscf	Billion standard cubic feet (raw gas)
BOE6	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
USG	Unconventional Shale Gas
STOIIP	Stock Tank Oil Initially In Place – stabilised crude at atmospheric pressure