OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT
March 2013

Oil Basins Limited (ASX codes **OBL** & **OBLOB**) (**OBL** or **Company**) is pleased to present its March 2013 Quarterly Report.

MARCH QUARTER OPERATIONS REPORT

Highlights During the March quarter:

- ***The Company advanced a number of projects in its portfolio including:***
  - **Executed a binding transaction with Octanex N.L. to divest a net 25% interest of Application 5/07-8EP ("Derby Block") Canning Basin effective after grant.**
  - **As designated operator and 50% interest holder, Application 5/07-8EP ("Derby Block") Canning Basin determined gross P90, P50, P10 USG potential prospective resources of 4.8 Tcf, 19 Tcf and 69Tcf respectively and gross P90, P50, P10 USO potential prospective resources of 117 MMbbls, 461 MMbbls and 1.785 Billion bbls respectively, using the SPE PRMS Classification.**
  - **On 1 February 2013, a section 35 determination of the Native Title Tribunal agreed that OBL and its joint applicant should be awarded the future act of grant of the Derby Block by the WA Department of Mines and Petroleum.**
  - **This determination was subsequently appealed by the Native Title claimants. At a Federal Court hearing held on 22 April 2013, the appeal will be heard on 29 July 2013.**
  - **Company was paid $240,000 legal costs by Bass Strait Oil Company Ltd (BAS).**
  - **Company assigned a 2% ORRI of its 100% owned R3/R1 (Cyrano) to its wholly owned subsidiary Oil Basins Royalties Pty Limited.**
  - **As designated operator and 80% interest holder, Backreef Area, Canning Basin determined gross P90, P50, P10 USG potential prospective resources of 0.7 Tcf, 1.8 Tcf and 4.8Tcf respectively and gross P90, P50, P10 USO potential prospective resources of 17.1 MMbbls, 44.4 MMbbls and 106.0 MMbbls respectively, using the SPE PRMS Classification.**
  - **Company sought to acquire a further 25% interest in offshore Gippsland Basin Permit Vic/P41, but although recently pre-empted by BAS, successfully increased its interest by 5.435% to 17.935% for a nominal sum.**

OPERATED ASSETS:

- ***Backreef Area (OBL 80% beneficial interest):***

  - *During the March quarter work continued in finalising East Blina-1 petrophysics and geophysical and geological interpretation including remapping of the potential deeper USG/USO potential of the Virgin Hills tight sandstone and GoGo shale formations within the Kimberley Downs Embayment (situated mostly within the Company's Backreef Area portion of Production Licence L6).*
  - *As designated operator, Backreef Area Canning Basin, OBL released its updated assessment of the shale gas resource potential of its recently farmed-in asset (OBL's earn-in was complete with the drilling of the second commitment well, east Blina-1 on 31 October 2012).*
  - *Latest independent modelling and assessment of the USG/USO potential within the Derby Block confirms the block has **significant USG/USO exploration potential within a relatively small acreage portion of the existing Production Licence L6** (announced to ASX on 4 March 2013).*
  - *Modelling and Monte Carlo risked assessment of prospective potential resources was completed by 3D-Geo Pty Ltd using Petrel TM, Trinity 3D TM and Lithotect TM software with prospective potential resources assessed using SPE PRMS Classification with results as follows.*

    - *P90: 0.7 TCF + 17.1 MMbbls*
    - *P50: 1.8 TCF + 44.4 MMbbls*
    - *P10: 4.1 TCF + 106.0 MMbbls*

  - *This above resource potential is in addition to the remaining SPE PRMS defined Yellow Drum dolomite shallow oil play prospectivity of circa mean gross 10 MMbbls prospective potential recoverable resources across a number of undrilled Leads (refer to EOG Conference Presentation announced to ASX on 5 March 2013).*
  - *Whilst there are presently no work program obligations for the Company during 2013 within the Backreef Area, the Company remains committed to the Backreef Area and is looking at ways to accelerate a meaningful operational program during 2013.*

- ***Derby Block (OBL 50%):***

  - *The Company executed a binding transaction with Octanex N.L. to divest a net 25% interest of Application 5/07-8EP ("**Derby Block**") Canning Basin for $1.75 million effective upon grant (announced to the ASX on 24 January 2013).*
  - *On 1 February 2013 a section 35 determination of the Native Title Tribunal agreed that OBL and its joint applicant Backreef Oil Pty Limited (**"Backreef"**) should be awarded the future act of grant of the Derby Block by the WA Department of Mines and Petroleum. However, this award was subsequently appealed by the Native Title claimants and tthe appeal will be heard on 29 July 2013 (announced to ASX on 23 April 2013).*
  - *As designated operator, Application 5/07-8EP ("**Derby Block**") Canning Basin, OBL released its updated assessment of the shale gas resource potential of the Derby Block (5/07-8 EP).*
  - *Latest independent modelling and assessment of the USG/USO potential within the Derby Block confirms the **Derby Block has significant basin centred gas USG/USO exploration potential** (announced to ASX on 15 February 2013).*
  - *Modelling and Monte Carlo risked assessment of prospective potential resources was completed by 3D-Geo Pty Ltd using Petrel TM, Trinity 3D TM and Lithotect TM software with prospective potential resources assessed using SPE PRMS Classification with results as follows.*

    - *P10: 4.8 TCF +117 MMbbls*
    - *P50: 19 TCF + 461 MMbbls*
    - *P90: 69 TCF + 1,785 MMbbls*

- *Significantly with Buru's recent announcements of a significant on-trend basin centred gas resources delineated nearby to the east of the Derby Block, this highlights that the Laurel Formation is a major gas and liquids bearing shale, with very large scale resource potential within Derby Block due to its potential thickness.*
- *The Company also continues to advise that on 21 December 2012 it formally advised its joint applicant Backreef Oil Pty Limited that in OBL's opinion Backreef was in breach of its commercial undertakings with OBL in its proposed sale of its 50% application interest and all other rights in the Derby Block to a third party, and consequently the Company intends to fully pursue its rights in this regard.*
- *OBL subsequently announced to the ASX on 6 February 2013 that the Company (as required under the terms of undertakings with its joint applicant) has offered 50% of its priority transaction with Octanex.*

- ***Cyrano Oil Field R3/R1 (OBL 100%):***

  - *During the March quarter, no significant costs were incurred.*
  - *Company continues to seek expressions of interest for this potentially low cost rapid development 'marginal oil field asset'.*
  - *Company assigned a 2% over-riding royalty interest to its wholly owned subsidiary Oil Basins Royalties Pty Limited (announced to ASX on 26 March 2013).*

NON-OPERATED ASSETS:

Gippsland:

- *During the March quarter, no significant costs were incurred in either Vic/P41 (OBL 12.5%) or Vic/P66 (OBL 17%).*
- *The Vic/P66 joint venture partners have agreed they will not acquire the Stanton 3D seismic survey and will now seek to surrender the permit.*
- *During the quarter the Company announced that it had successfully negotiated with Moby Oil and Gas Limited final terms on which to dispose of its 25% interest in the joint venture and the permit to OBL (for a nominal sum). The operator Bass Strait Oil Company Ltd has subsequently exercised its pre-emptive rights in relation to Moby's interests. As a result of the pre-emption by BAS, OBL will increase its interest from 12.5% to 17.935% (announced to ASX on 23 April 2013).*
- *This assignment has now been approved by all Joint Venture parties and following regulatory approval, the ownership of the Vic/P41 Joint Venture will become:*

*Bass Strait Oil Company Ltd (**BAS**)*	*64.565% and Operator*
*Oil Basins Limited (**OBL**)*	*17.935%*
*Strategic Energy Resources Limited (**SER**)*	*17.5%*
Over-riding Royalties	*Nil*

- *Permit Vic/P41 is located to the east of Kipper Gas Field in the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast. The permit provides OBL with significant and increased exposure to the easterly extension of proven producing trends.*
- *During the quarter the Vic/P41 vjoint venture decided not to proceed with the Stanton 3D seismic survey in the near term and is currently considering future work program alternatives (including farmout).*

Listed Company Investments:

- *OBL holds a circa 17.4% interest in BAS.*
- *During October 2012 OBL challenged the efficacy and legality of the two BAS capital raisings in the Federal Court of Australia but although OBL won the contested points, the judgment used the Court's discretion and ruled to retain the BAS placement and BAS rights issue.*
- *OBL was awarded costs and has recovered the majority of its costs ($240,000) during the March quarter. Refer to OBL ASX Release dated 26 March 2013.*

CORPORATE:

Strategic Share Placement & Divestment of 25% Interest in Derby Block:

Subsequent to quarter end, on 24 January 2013, OBL announced the following:

1. A modest capital-raising of $625,000 (mostly funded by OBL's existing shareholder Octanex N.L. ASX code **OXX**).

2. OBL has agreed conditionally to divest a 25% interest in the Derby Block to OXX for $1.75 million.

3. A Sale and Cooperation Agreement had been entered into between OBL and a wholly owned subsidiary of OXX.

The agreed transaction specifics are as follows:

- OBL has placed 17.85 million new fully paid OBL ordinary shares @ 3.5 cents per share raising circa $625,000 to sophisticated and corporate investors. In addition 17.85 million new free listed OBLOB options (exercisable on or before 30 June 2014 at 4 cents each) were granted on a 1 for 1 basis.

- As a result of the placement the Albers Group ASX-listed oil & gas exploration associate, Octanex N.L. (ASX code **OXX**) has increased its shareholding by 15.0 million fully paid OBL ordinary shares from circa 2.222 million to 17.222 million (3.05%) and now holds 15.0 million OBLOB options.

- Mr E G Albers and his Associates ("**Albers Group**") has increased its overall interest in OBL from 7.03% to 9.46% (53,505,266 fully paid OBL ordinary shares).

- There is no agreement or arrangements for OXX or the Albers Group to have any director or representative appointed to the board of OBL.

- The placement transaction was finalised on 25 January 2013 and increased the OBL ordinary shares on issue to circa 565.4 million and the listed OBLOB options on issue to 86.9 million.

In addition, OXX has contracted to acquire a 25% interest in the Derby Block from OBL for $1.75 million on the following terms:

  - adoption of a Joint Venture Agreement (**JVA**) for the Derby Block, once the Derby Block is granted;

  - provision for co-operation relating to the Derby Block, pending finalisation of a JVA; and

  - provision for long-term co-operation between OBL and OXX subsequent to grant of the Derby Block to ensure that future CSG and USG/USO work programs can be readily administered and operated by OBL.

As announced by Octanex N.L. on 24 January 2013:

- OXX approves and supports the process undertaken for formal arbitration of the future act, namely the grant of petroleum exploration permit application 5/07-8 EP, under the *Native Title Act 1993*(Cth) for determination by the NNTT, as managed to date by OBL.

- Following a technical, legal and commercial due diligence review of the Derby Block, OXX is interested in exploring for both conventional and unconventional oil and gas but with primary focus being USG (with a particular and immediate focus being placed on exploration of the potentially liquids-rich Laurel shale formation basin-centred USG/USO play).

- OXX proposes the appointment of OBL as operator of the Derby Block.

- In addition, OXX supports OBL's plans to seek major interest from oil & gas supermajors for a farm-in to the Derby Block, to provide competition in the domestic gas market should exploration within the Derby Block be successful.

The Directors of OBL believe that, by contrast with the earlier transaction (terminated previously by FMG on 14 January 2013 – refer to OBL ASX Release dated 15 January 2013) the new OXX transaction announced on 24 January 2013 is more of benefit to OBL and its shareholders for the following reasons:

1. The present transaction offers the Company certainty.

2. There are no shareholder approval requirements and the terms of the transaction are certain.

3. The transaction does not merely create options to enter into a transaction or transactions.

4. Pricing of the strategic placement is essentially identical.

5. The shareholder dilution effect of the transactions is minimal with OXX only acquiring 15 million shares and a like number of June 2014 options, compared with the previous proposed issue of 120 million shares and attaching 100 million long (4 year) dated options exercisable at 9 cents each.

6. There are no OXX appointed directors or representatives to OBL's board.

7. Via the strategic placement, the Albers Group attains circa 9.5% (undiluted) of OBL.

8. Further, the transaction leaves OBL with a higher free-float at 90% compared with 75% (which is important should OBL ultimately be re-rated for any ASX Accumulation Index).

9. Importantly, the transaction leaves OBL as not controlled by any major shareholder and consequently maintains any future takeover premium which OBL may attract.

10. In addition, under the agreement with OXX, the Company has the ability to maintain overall operatorship of the Derby Block and is unlikely to be seriously challenged by un-budgeted cash calls.

11. The future funds to be provided to OBL by OXX for the 25% sale interest (after grant and upon transfer) are sufficient to fund OBL work commitment obligations for its remaining 25% of the Derby Block for all of Year 1 work program (a 500 km 2D seismic survey during 2013) and portion of its Year 2 work program obligations.

12. OXX supports OBL's intention to attract interest from supermajors in this prospective frontier permit having the following key attributes:

    – The Derby Block is an attractive and highly prospective Fitzroy Trough permit for the extension of the potentially liquids-rich Laurel shale formation basin-centred USG/USO play delineated nearby in the east.

    – The Derby Block is well-situated near to established infrastructure and the proposed future route of the Great Northern Gas Pipeline linking to large established WA domestic gas markets to the south. This planned new pipeline route will likely travel along the Great Northern Highway, which crosses the southern portion of the permit.

CASH POSITION:

Cash holdings at 31 March 2012 were circa $0.275 million.

In addition OBL owns circa 89.154 million shares in BAS worth presently circa $0.89 million.

Share Purchase Plan:

Subsequent to the March quarter-end, on 3 April 2013, the Company announced its intention to make a Share Purchase Plan offer (**"SPP"**) to all shareholders registered on the Company's share register at 7pm on Tuesday 2 April 2013. The SPP was at 2.0 cents per share, which represented a then circa 20% discount to 5 day volume weighted average share trading for OBL ordinary shares and the offer remained open until Friday 26 April 2013. The capital so raised will be used to advance its projects and in particular the Derby Block (which was previously scheduled for grant by the WA government on 25 March 2013 (refer to ASX release dated 18 March 2013) before the grant was delayed by the Native Title Claimant Appeal process in the Federal Court.

As announced to the ASX earlier today, some 100 shareholders participated in the SPP which raised $474,000 and will result in the issue of circa 23.7 million new OBL ordinary shares and increase the OBL ordinary share on issue to circa 589.1 million shares.

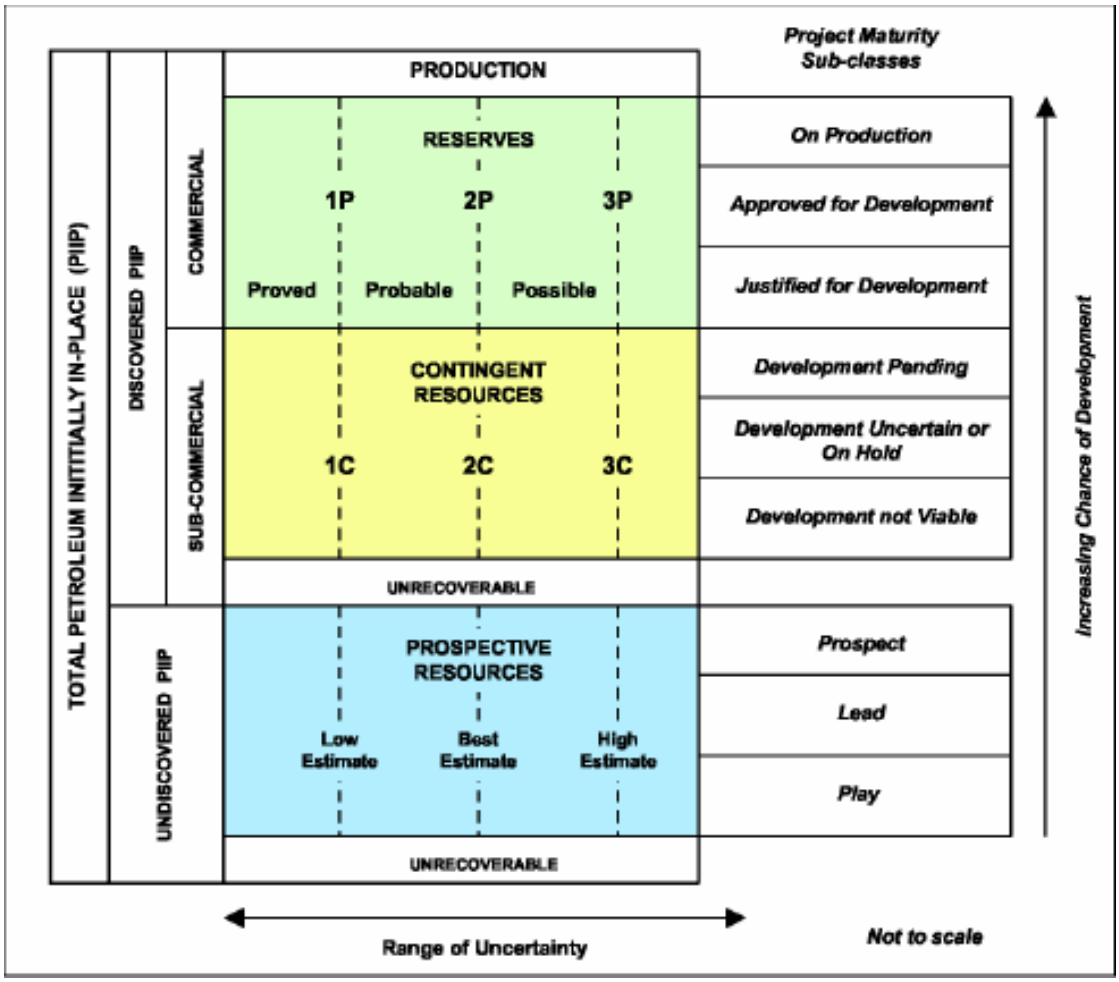
The directors are pleased with this result in difficult market conditions as its both non-dilutory and within target capital raising expectation and offers all shareholders a chance to participate in the Company's future endeavours at an attractive price.

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)
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
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 = CH4 = 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

APPLICABLE RESERVES & RESOURCES REPORTING GUIDELINES AND 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".

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.

DISCLAIMER:

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 complied and/or assessed by Company Director Mr Neil Doyle (from a number of sources) who is a professional engineer (BEng, MEngSc - Geomechanics) with over 31 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 28 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 specifically quoted and the important definitions and disclaimers attached.