



OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT June 2014

Oil Basins Limited (OBL or **Company**) is pleased to present its June 2014 Quarterly Report.

JUNE QUARTER OPERATIONS REPORT

Highlights During the June quarter:

- EP 487 Derby Block (OBL 50% and Operator) operations commenced.
- OBL is seeking resolution of the on-going ownership of EP 487 and has commenced legal action at the WA State Administrative Tribunal to attain 100%.
- Gippsland restructuring complete – OBL now holds a 25% interest in Vic/P47.
- OBL offers investors a balanced portfolio with large leverage to the Canning Basin Wet Laurel Basin Centred Gas play – backed by significant exposure to 3 discoveries – Cyrano Oil Field (100%), Moby Location – Gas (25%) and Judith Gas Field (25%); refer to Figure 1 for a summary of the Company's asset base.

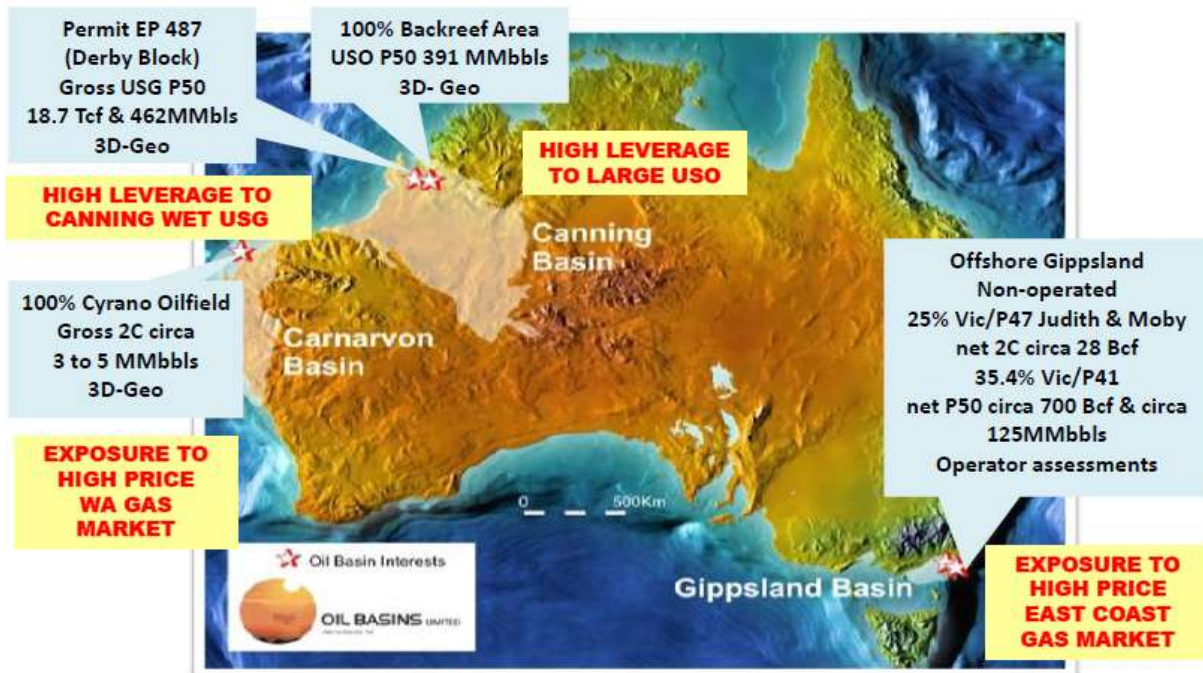


Figure 1

OPERATED ASSETS:

CANNING BASIN

PERMIT EP 487 (DERBY BLOCK) (Refer to Figure 2)

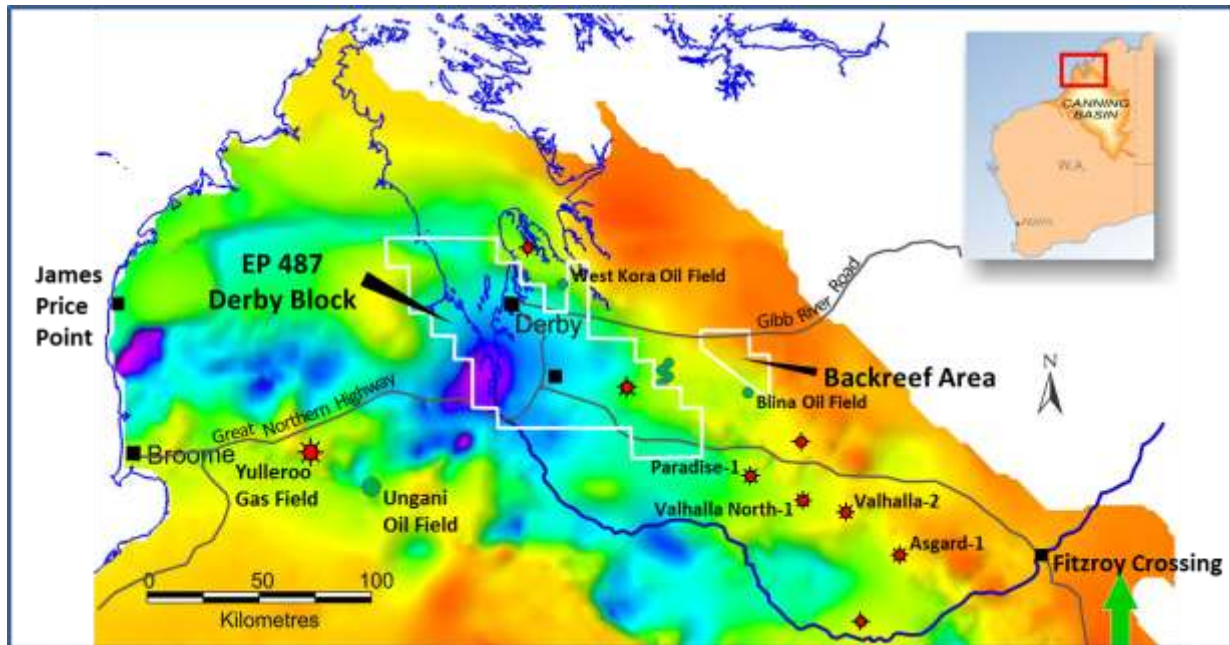


Figure 2

Company's Exploration Interests in the Canning Basin

Petroleum Exploration Permit EP 487 (Derby Block) (**EP 487**) was granted on 14 March 2014 and comprises an area of approximately 5,063 sqkm located in the onshore Canning Basin, mainly south and east of Derby township – see the Figures 2 and 3. OBL is pleased to report that initial field work commenced after appropriate tenders were duly called for provision of environmental and traditional owner clearance services.

2014 Work Program

In accordance with the terms of EP 487 grant, the first-year work program requires 500 line km of 2D seismic to be shot and recorded (being operationally subject to environmental and all stakeholder approvals and equipment availability, and subject to wet season parameters).

During the June quarter, OBL as a duly registered titleholder and operator of EP 487 commenced field operations with a reconnaissance survey for Class 1 Flora and Fauna Survey over the route of the proposed 500 line km of 2D seismic.

- Commencing in early April 2014, OBL conducted a tender process to appoint an environmental consultant on behalf of the EP 487 Joint Venture. After reviewing proposals in early May, the Company appointed *ecologia* Environmental Consultants Pty Ltd (**ecologia**), a Perth based subsidiary of ASX listed Resource Development Group Ltd (ASX code **RDG**), to provide environmental consultancy services to the Joint Venture.
- OBL has obtained land access agreements with all affected landowners, and senior management have met all impacted station managers and stakeholders.
- With no agreement from a Joint Venture Meeting called by OBL on 12 April 2014, OBL as operator advised all impacted EP 487 partners and potential partners (Backreef Oil Pty Ltd, Octanex NL (ASX code **OXN**) and Buru Energy Limited (ASX code **BRU**)) that it will as operator fund this initial survey in the interim so as to maintain the permit in good standing and not lose

critical time deadlines (eg short-duration wildflower blooming season was closing rapidly in May/June 2014). The accurate cataloguing of native, and possibly rare, plants is integral to the environmental impact assessment to ensure that EP 487 permit holders remain compliant and to enable a valid Environmental Plan for the proposed 500km Seismic Survey to be lodged in 3Q2014

- Pursuant to the DMP grant of title covering letter dated 14 March 2014 requesting a meeting with the DMP within 30 days, OBL as operator EP 487 arranged an appropriate meeting on 29 April 2014 to present forward plans for the two-year forward activities to ensure that all EP 487 titleholders remain fully compliant.

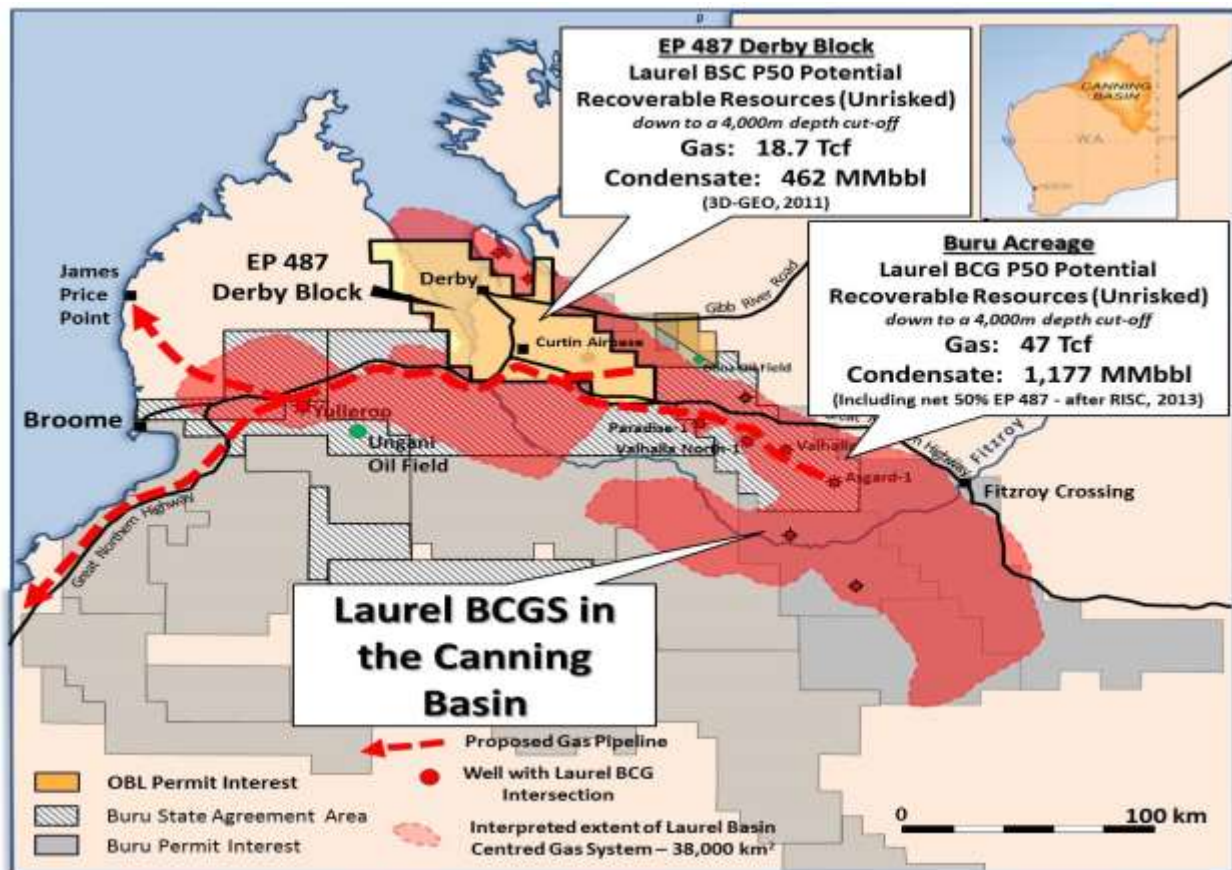


Figure 3

Company's exposure to the new Laurel Wet BCG Play is significant

- OBL presented to the DMP the overall objectives of the first two-year work program with specifically the focus upon exploration for Unconventional Shale Gas (**USG**) and recognising the eastern portion of the permit is on-trend to nearby USG exploration successes at Paradise and Valhalla (refer to Figure 3). OBL presented the independent assessment of 3D-Geo Pty Ltd (**3D-Geo**) who have accessed the EP 487 Derby Block to contain gross P50 18.9 Tcf Gas and 461 MMbbls of associated condensate potential prospective recoverable unrisked resources according to SPE PRMS (down to 4000m cut-off) and gross Mean 31.2 Tcf Gas and 801 MMbbls of associated condensate potential prospective recoverable unrisked resources according to SPE PRMS (down to 5000m cut-off).
- OBL presented the need to focus the 500km 2D seismic survey to tie-in the vintage seismic lines in the north to those in the south of EP 487 to obtain a clearer picture of the USG target Laurel Shale gross rock volume and also the possibility of delineation of conventional prospects in the central and eastern section of the permit (which have been prognosed by 3D-Geo Pty Ltd at over 400 Bcfe P50 potential recoverable unrisked resources according to SPE PRMS).

- On the DMP's suggestion, modifications were made to the draft seismic survey to avoid crossing adjacent third party permit boundaries, not to encroach within the Curtin Air Base perimeter boundary, and not to approach within 600m of proclaimed environment reservations and 2km of townships.
- Additionally, honouring a verbal undertaking with WA Greens MP Robin Chapple, who is also a Derby resident, OBL's final seismic survey will not come within 10 km of the Town of Derby.
- All recommendations have all been adopted by OBL and new maps have been prepared by its technical consultant 3D-Geo Pty Ltd with the assistance of WA Government cadastral surveyor Landgate (refer to Figure 2).
- In mid-May 2014, OBL senior management, with its newly appointed Broome based OBL Area Manager and *ecologia* Project Leader, met on-site with representatives of all landowners and affected stakeholders and has also conducted a helicopter survey of the proposed work program route to identify and map drop zones (personnel and fuel) and existing cleared tracks for road access on the above properties (Figure 3).
- As required under the *Petroleum and Geothermal Energy Resources Act 1967*, all affected landowners impacted by the proposed non-invasive Class 1 Flora and Flora Survey (**F&F Survey**) were duly contacted and all necessary consents were received prior to the survey being conducted.
- The F&F Survey was successfully completed on 20 June 2014 without incident (and importantly within the wildflower blooming period).
- Work by *ecologia* will now focus on identifying the material collected and incorporating this new information into the EP 487 Generic Environmental Plan which will be expanded to include seismic, drilling and production testing operations (based upon OBL's and *ecologia*'s experience with the nearby Backreef Area operations).

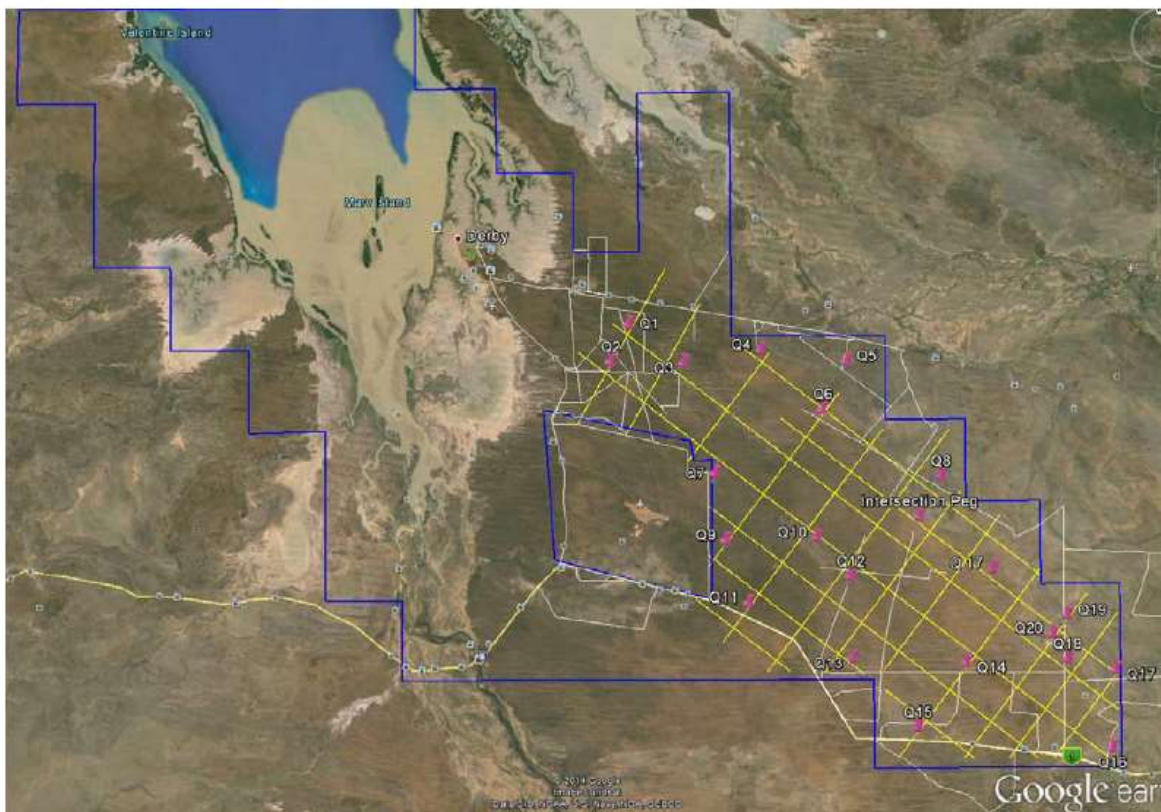


Figure 3
Satellite Map of the *ecologia* Study Area

BACKREEF AREA (Refer to Figure 2) OBL Group 100% beneficial rights

Environment

During the quarter, after inspecting the condition of East Blina-1, OBL applied for and received consent from the DMP Environment division to extend the rehabilitation period of the sump removal for another 3 months to allow for drying out of the sump and surrounds. These operations are expected to be completed by 30 September 2014.

OBL is still awaiting the approval of the Backreef Area Generic Environmental Plan Drilling and Production testing (re-submitted during the June quarter).

Farmout

Following the APPEA Conference, OBL has presented the Backreef Area deep USO opportunity to a number of farmin parties who have executed confidentiality agreement and who have attended the dataroom at 3D-Geo.

The lack of availability of suitable conventional drilling rigs in WA is likely to severely impact the timing of any such near-term completely discretionary operations such as the deepening of Backreef-1 or the drilling of a new deep well (on one of OBL's cleared pads) during 2014.

RETENTION LEASE R3/R1 OBL 100% and 2% ORR/I

Cyrano Oil Field Project

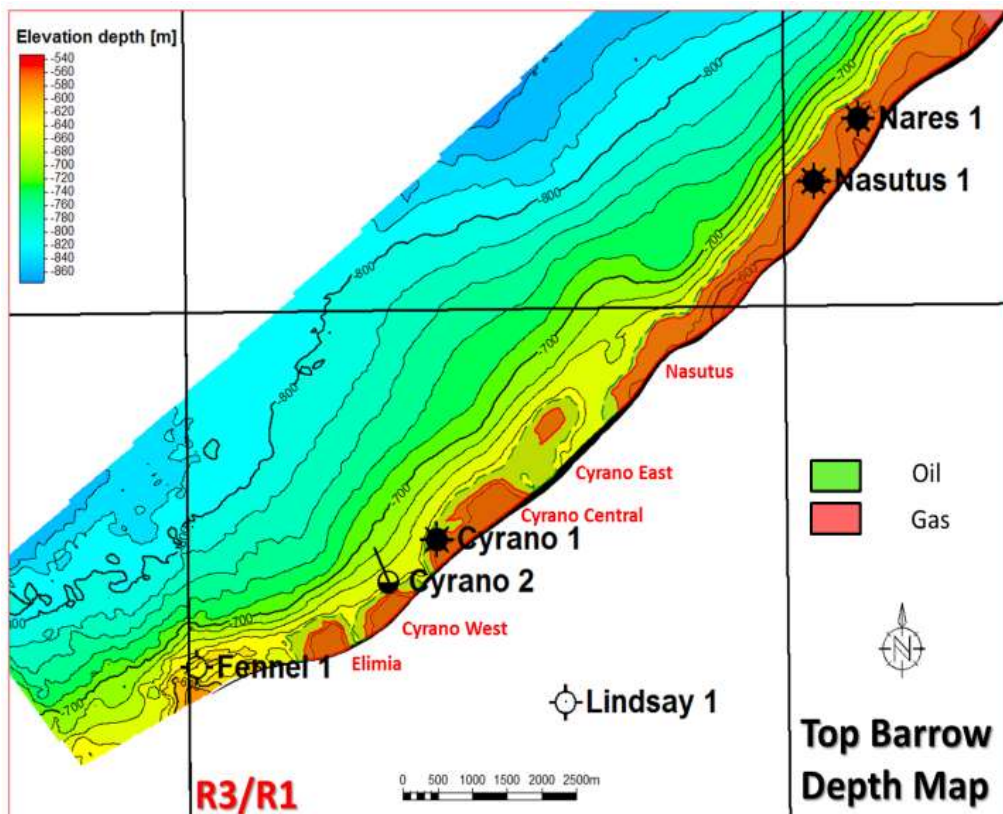


Figure 4
Company's Exploration Interests in the Carnarvon Basin
100% Cyrano Oil Project

No significant new work commenced on this project during the June quarter

The WA Minister of Mines and Petroleum has subsequent to quarter end approved and registered the OBL 2% overriding royalty interest over the R3/R1 location.

Following the APPEA Conference, OBL has presented the Cyrano Oil Project opportunity to a number of farmin parties who have executed a confidentiality agreement and who have attended the dataroom at 3D-Geo.

NON-OPERATED ASSETS:

GIPPSLAND BASIN

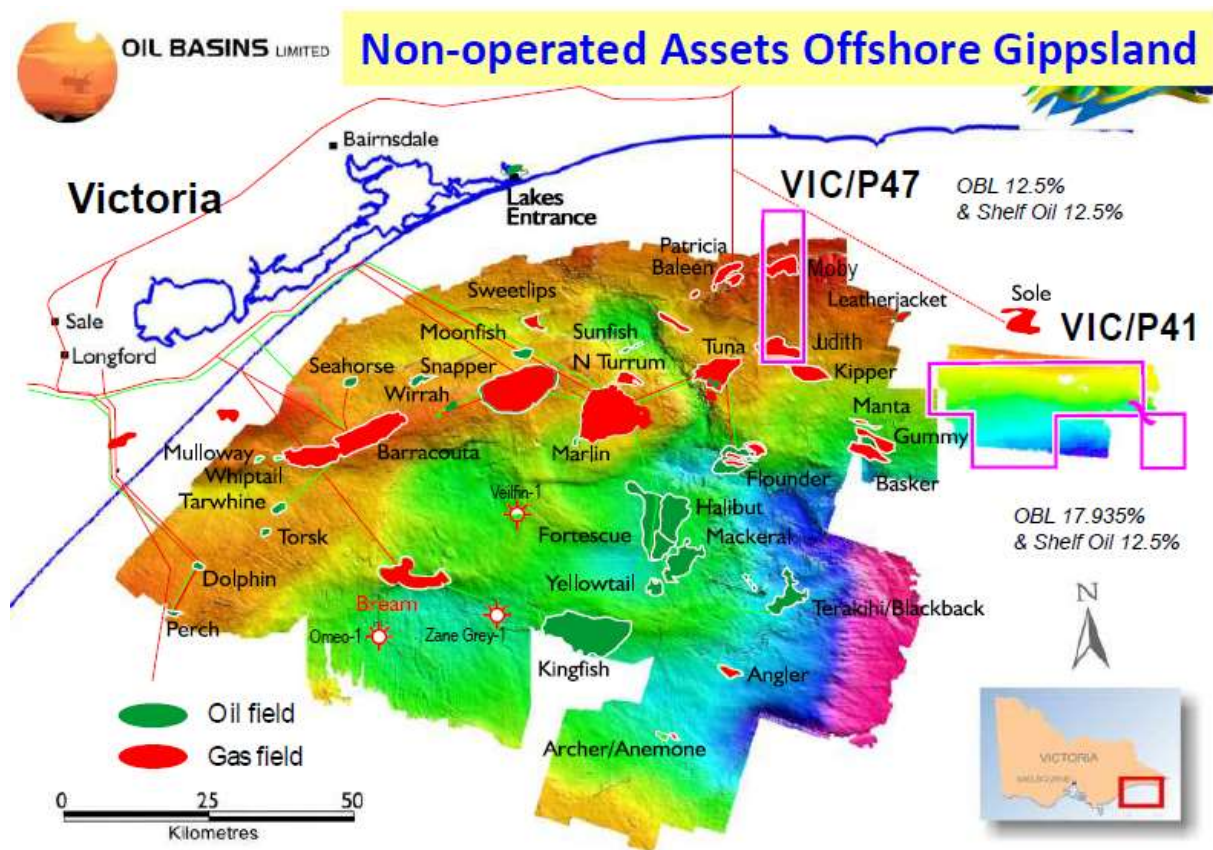


Figure 5
Company's Exploration Interests in the Gippsland Basin

Permit Vic/P41 – OBL Group 35.435%

The Vic/P41 Joint Venture Participants are:

- Bass Strait Oil Company Ltd (ASX code **BAS**) 64,565% and operator
- Oil Basins Limited (ASX code **OBL**) 17.935%
- Shelf Oil Pty Ltd (OBL wholly-owned subsidiary) 17.50%

Exploration permit Vic/P41 (539 sqkm) is located in the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast – refer to the Vic/P41 Location Map (Figure 5).

The permit provides the Company with exposure to the easterly extension of proven producing trends. The recent acquisition of equity in the Basker-Manta-Gummy (BMG) leases by Cooper Energy Limited (ASX code **COE**) provides the opportunity for prospective resource in Vic/P41 to be commercialised via a redevelopment of the BMG infrastructure. The Vic/P41 Joint Venture is of the opinion that the BMG development will require additional near field resources making any resource in Vic/P41 a potential supply into the BMG project.

During the quarter, reprocessing and merging of multiple 3D datasets and selected Quantitative Inversion (QI) and Amplitude versus Offset (AVO) ie QI/AVO analyses, including 430 sqkm within the permit were finalised. Subsequent to the end of the quarter the operator Bass Strait Oil Company Ltd (ASX code **BAS**) announced that it has received the reprocessed 3D seismic dataset covering Vic/P41 and its wholly owned Vic/P68 as well as the adjacent Exxon/BHPB Kipper Field.

The nature of this work is to provide a 'like-for-like' comparison along the Rosedale Fault trend from the analogue field (Kipper) in the west to the prospects identified by BAS in Vic/P41 (Kipling and Benchley). A QI study is to be undertaken using the reprocessed data to investigate if the seismic response seen in the Kipper Field is similar to that seen in the Vic/P41 prospects. The Kipper Field is one of the last significant discoveries in the Gippsland Basin and contains 620 billion cubic feet of recoverable gas and 30 million barrels of condensate/LPG.

The second phase of the work is the QI which will ultimately produce seismic inversion datasets predictive of reservoir and possible hydrocarbons over the entire study area. This will provide direct comparison between anomalies representative of hydrocarbons in the Kipper Field and any such anomalies present in prospects such as Kipling and Benchley in the Company permits. Seismic interpretation over the reprocessed seismic dataset will be undertaken during the September quarter in anticipation of the second phase of deliverables, and in conjunction it is hoped the work will 'high-grade' a number of prospects in Vic/P41.

Permit Vic/P47 – OBL Group 25%

Subsequent to June quarter end, on 3 July 2014, the Company advised that it has attained approval and registration by the National Offshore Petroleum Titles Administrator (**NOPTA**) for the acquisition and transfer of a 25% interest in Vic/P47, including the Judith Gas Discovery and Moby Gas Field Location to the OBL Group.

The offshore regulator NOPTA has approved that the transfer of the 25% interest in Vic/P47 be equally divided between OBL and OBL's wholly owned subsidiary Shelf Oil Pty Ltd.

The Vic/P47 Joint Venture Participants are now:

Seaquest Petroleum Pty Ltd	40.00% and Operator
Energex N.L.* (ASX code ENX)	19.25%
Moby Oil & Gas Ltd	15.75%
Oil Basins Limited (ASX code OBL)	12.50%
Shelf Oil Pty Ltd	12.50%

** subject to NOPTA approval and registration*

The Vic/P47 permit is located in the offshore Gippsland Basin, 14 km from the coast and south of the Victorian town of Orbost with water depths ranging up to 80 metres – refer to the Vic/P47 Location Map (Figure 5).

The permit is in Year 4 of the first 5-year renewed term, where the work commitments are to carry out a reappraisal of the Judith gas resource and conceptual field development and well design studies. This follows the gas marketing studies and conceptual appraisal planning completed during Year 3. A further six month suspension and extension of the permit was granted on 26 June 2014. Year 4 of the permit now ends on 15 November 2014. The Year 4 technical program continues to be progressed.

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	25%*	-	-
Vic/P41	Victoria	35.435%	-	-
Cyrano R3/R1	Western Australia	100% +	-	-
Backreef Area	Western Australia	100% +	-	-
EP 487	Western Australia	50% +	-	-

+ operator

* the Company finalised the 25% interest in the Vic/P47 permit subsequent to quarter end

CAPITAL RAISINGS & ISSUES

On 17 March 2014, the Company entered into a funding agreement with The Australian Special Opportunity Fund, LP a New York-based institutional investor managed by The Lind Partners Australia, LLC (collectively **Lind**) for a total funding commitment of up to AU\$7.25 million. Under the agreement with Lind, OBL has received AU\$350,000 upon execution from a AU\$275,000 convertible security and AU\$75,000 as a first equity tranche prepayment.

The agreement has a term of up to 2 years, and has as key points:

- a) a 6% coupon convertible security in the face amount of AU\$300,000, and
- b) monthly equity purchases in the amount of AU\$100,000 which can be increased up to AU\$300,000 per month by mutual consent (up to an aggregate of AU\$6.975 million).

Funds will provide working capital and will be primarily utilised for development of the Company's projects particularly the build-up of cyclical seasonal operations and manning in respect of EP 487 Canning Basin and exploration permits in both onshore and offshore Australia.

The Company will be required to satisfy each monthly equity purchase by issuing ordinary fully paid shares to Lind with the issue price to be determined by reference to the volume weighted average price of the Company's shares during a predetermined pricing period.

OBL has the option after six months to postpone the monthly equity purchases or terminate the agreement at no cost. Lind was restricted from converting the convertible security into shares in the first 120 days post-execution of the agreement and the Company could elect to fully buy-back the convertible security within this period, which the Company has done.

As at 30 June 2014, OBL was issued with 3 tranches of funding amounting to \$250,000 in accordance with the Lind facility with a total of 28,643,579 new OBL ordinary shares issues at an average price of \$0.00872 (**0.872 cents**) per share and this funding support has provided the Company with sufficient collateral during the June quarter to complete the F&F Survey and execute the Vic/P47 asset acquisition documentation with NOPTA as the company transforms its Derby Block ownership position under challenging market conditions for the Company.

On 30 June 2014 OBL announced that it had agreed the June Placement of 35 million new ordinary OBL shares at \$0.0125 (**1.25 cents**) per share raising a gross amount of \$437,500.

Funds so raised were for general working capital purposes and to maintain and/or assist the Company's leverage to pay out the Lind convertible security which was announced to the ASX on 11 July 2014.

The June Placement, priced at a circa 35% premium to recent 7 day trading, was made to sophisticated professional investors and was completed on 9 July 2014.

Subsequent to quarter end, on 8 July 2014, the Company issued Strategic Energy Resources Limited (ASX code **SER**) 6.0 million new OBL ordinary shares at \$0.02 (**2.0 cents**) per share to finalise the Vic/P47 asset acquisition transaction.

CORPORATE

Ownership of EP 487 (Derby Block)

As previously reported, with the confirmation of the Derby Block (formerly 5/07-8 EP) as petroleum exploration permit EP 487 by the DMP, the Company again notes that application partner BOPL has purported to agree to sell its interest in the permit to Buru Energy Limited (ASX code **BRU**) with both BOPL and Buru having prior knowledge at the time of the Memorandum of Understandings (MOUs dated March 2010 and July 2011) executed between OBL and BOPL. OBL has previously communicated with BOPL in relation to this matter. OBL's view on this matter remains as previously advised, ie the arrangements set out in the MOUs are personal as between OBL and BOPL and do not allow one party to assign its interest in the Permit without the agreement of the other party, except in the case of OBL finding a farminee and using "divide/assign/farmout" rights to which OBL has exclusively.

OBL considers, and formally advised BOPL on 21 December 2012 that, the purported assignment of BOPL's interests to BRU to be in breach of the MOUs and is invalid. Once a new joint operating agreement has been entered into by the holders of EP 487, then further assignment issues will be governed by the terms of that joint operating agreement. Full documentation relating to the OBL and OXX Priority Dealing was duly lodged with the DMP for registration shortly after the date of notice of grant being received on 21 March 2014.

OBL advises the market that formal documents were duly served on BOPL on Monday 7 April 2014, for attention and immediate execution, to progress the farmout to Octanex Operations Pty Ltd.

The Company advises that has held confidential discussions with joint venture BOPL and their proposed assignee BRU since 29 May 2014 to resolve an agreed way forward on the future ownership of EP 487.

Subsequently, on 13 June 2014, OBL forwarded a cash call of circa \$131,000 to BOPL seeking immediate payment as the F&F Survey field work was commencing (now complete) and no formal joint operating agreement was in place.

In addition to the initial unpaid cash call, the Company has further cash called BOPL for an outstanding back cost payment of circa \$232,000.

Whilst some initial progress was made in the confidential discussions, no commercial resolution was agreed to the satisfaction of all parties, and in the absence of satisfaction OBL advised all parties of its intention to immediately pursue all of its rights.

Legal actions

OBL is as a result taking legal action against its joint venturer in the WA District Court for failure to pay current outstanding cash calls due in mid-June 2014 with an initial writ filed and served on 9 July 2014.

Given non-performance of its joint venturer since grant of EP 487 on 14 March 2014, the Company previously advised on 25 June 2014 that it had made a formal application to the WA State Administrative Tribunal (**SAT**) under the *Petroleum and Geothermal Energy Resources Act 1967* asking SAT to order rectification by the Minister for Mines and Petroleum of the Register and to remove BOPL from the title of EP 487 (Derby Block – refer to Figure 2).

If successful, this would mean that only OBL would remain on the title.

As a result of the SAT directions hearing held on 22 July 2014, the matter has been expedited and listed for a full hearing on 18 September 2014.

The Company will advise the market on this proceeding and the legal action, as well as the on-going ownership and other related matters, in due course

CASH POSITION:

Cash and near-term cash holdings at 30 June 2014 (following the June Placement) were circa \$506,000.

In addition to some circa \$150,000 spent on the Canning operations and recovery actions to date, remaining work program commitments in the Derby Block during the present September 2014 quarter, estimated at \$120,000, relate to 100% share of the flora and fauna clearance and environment impact assessments of the proposed 500 km 2D seismic survey. With the expected delays in lodging the Environmental Plan related to the seismic survey (due to cataloguing of the collections and ongoing studies etc), it is seemingly unlikely that OBL will be able to conduct the proposed seismic survey operations in 2014 although every reasonable attempt will be made to do so. If and when appropriate, OBL will lodge an extension and suspension of the Year 1 work program to the DMP. Other expenditures relate to the Gippsland Permits and East Blina-1 rehabilitation. In addition, immediately upon successful resolution of the SAT action against BOPL, OBL will be the recipient of \$1.75m from the OBL-OXX Sale and Cooperation Agreement announced to the ASX dated 24 January 2013.

Neil F Doyle, SPE
Director & CEO

31 July 2014

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
BSG	Basin Centred Gas
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)
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 is also a Member of the Petroleum Exploration Society of Australia; 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.