



OIL BASINS LIMITED

ABN 56 006 024 764

7 January 2016

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

Dear Sirs

NEW STUDIES UPDATE - RETENTION LEASE R3/R1 (CYRANO)

HIGHLIGHTS

- **New independent static reservoir engineering studies on the main Cyrano Oil Pool discovery confirms the previous 1P and 2P assessment with significant upside potential possible with a future discretionary dynamic study.**
- **OBL has completed an up to date assessment of the environmental factors that may influence a future development under the present DMP and environment stakeholder guidelines. This new study indicates that the environment impact of a conventional development is manageable in this mature offshore hydrocarbon province.**

The Directors of Oil Basins Limited (ASX code **OBL**, or the **Company**) are pleased to make the following update on the Company's 100% owned Retention Lease R3/R1 (Cyrano) oilfield as a matter of record.

Yours faithfully

Neil Doyle SPE
Director & CEO

Cyrano Oil Project – OBL 100% Interest & 2% Royalty

Key attributes:

- Nearby to Airlie Island – Jetty and 2 x 150,000 storage tanks, gas lift and gas/water separation facilities.
- Cyrano Oil Field defined by 4 vintage wells and modern 3D seismic (estimates over \$50 million expenditure in \$2015 terms).
- Field contains 10m net heavy 22.8 API, low sulphur oil, and 21m gas cap crude oil viscosity 3.95cp.
- Water depth only 12m to 17m and vertical wells are a shallow circa 600m total depth.

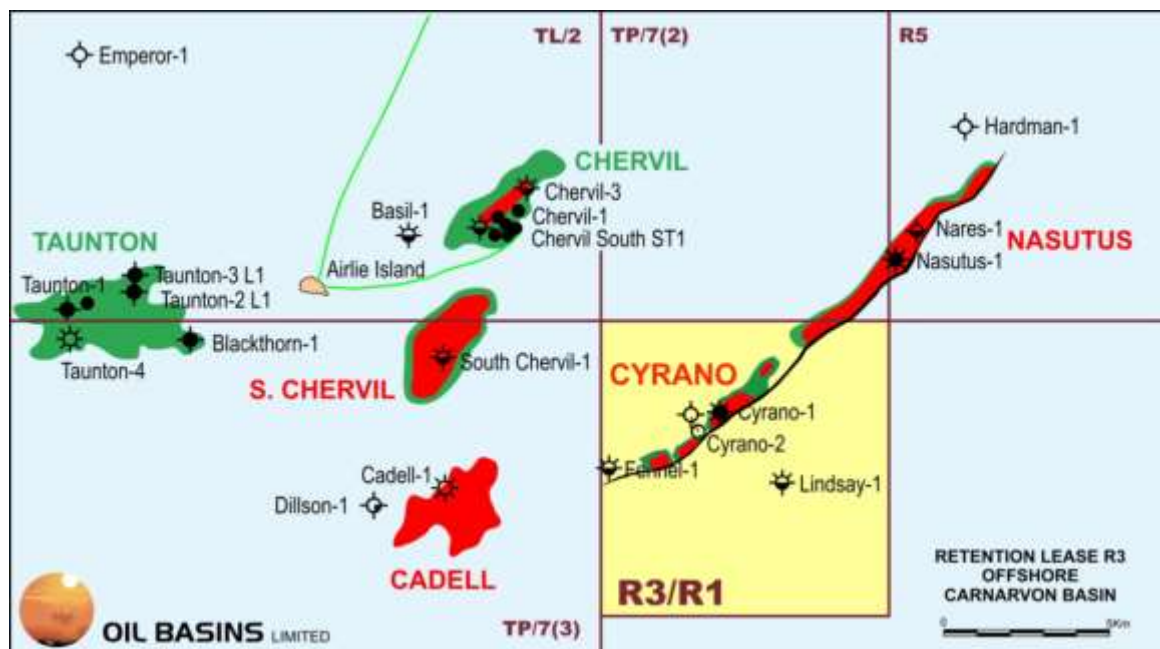


Figure 1

Regional Location of R3/R1 and latest view of the Cyrano Oil Field (Top of Barrow Group)

OBL, as operator of Retention Lease R3/R1 (Figure 1), on 18 May 2015 announced the completion an independent review by 3D-GEO confirms R3/R1 (Cyrano) holds 1P, 2P and 3P recoverable reserves assessed at 2.18 MMstb 1P, 3.01 MMstb 2P and 3.89 MMstb 3P respectively. For clarification it is noted that the reserves referred to are defined as technical proved undeveloped category under SPE PRMS (2011).

Further new work was completed as part of the Year#4 Work Program Report which was given to the DMP earlier this week.

Two New Studies Completed during Year#4

1. New Static Reservoir Engineering Studies

OBL engaged independent expert TEN FAYE Pty Ltd to perform a reservoir engineering assessment of the Cyrano Oil Pool using MBAL software within the established Petrel

architecture to perform preliminary assessment of the expected recovery factors (**RFs**) using simple field development assumptions.

Conclusions of the assessment of Recovery Factors

The key results and conclusions of the assessment are as follows:

The latest work by independent expert reservoir engineering firm TEN FAYE confirms that the **Cyrano central oil pool (only)** has 2C/P50 risked recoverable oil resources of 2.0 MMbbls (Barrow) which are broadly in-line with the earlier 2015 3D-GEO independent assessment, and the tighter shallower Mardie will produce an additional P50 1.4MMbbls **risked recoverable oil resources – overall 3.4 MMbbls**.

Assuming natural depletion, 500m horizontals and adopting a conservative 300 psi abandonment flowing pressure – recovery factors are circa 21.5% Barrow Formation and 15.9% Mardie Formation.

- Mardie Sand Recoverable Oil (P90/P50/P10): 0.7 / 1.4 / 2.7 MMstb
- Barrow Sand Recoverable Oil (P90/P50/P10): 1.0 / 2.0 / 4.1 MMstb

It is noted that the new study MBAL P10 estimates are 2.7 MMstb (Mardie sst) and 4.1 MMstb (Barrow sst), significantly higher than the equivalent 3D-GEO estimates of 1.1 MMstb (Mardie sst) and 2.3 MMstb (Barrow sst) respectively which is encouraging for future dynamic studies.

Recoverable resources determined by MBAL are static resources and are based upon the integration of earlier work field mapping conducted by consultant 3D-GEO (2014/2015) and earlier core analysis (2012/2013) and the new work by TEN FAYE gives good support and confidence to the earlier 3D-GEO adopted SPE PRMS (2011) recovery factors.

It is further noted that the new TEN FAYE static analysis assumes:

- no pumps
- no water injection
- and no gas lift (which would be deemed essential for the heavy oil production)

It is considered that any development of the Cyrano Oil Pool will use one, or all three, of the above relatively straight-forward development concepts to efficiently maximise both production and ultimate recoverable reserves.

Material balance is a fast and simple analytic method to calculate oil recovery, which may not describe complicated and heterogeneous reservoir conditions. In order to achieve more reliable oil recovery and field development options, static and dynamic modelling work of an integrated reservoir is highly recommended for Cyrano Oil Development at a next stage.

OBL expects some additional scope to improve this conservative assessment with a reservoir simulation (dynamical modelling), providing such discretionary new work can be economically justified in the prevailing low crude oil price outlook in 2016.

2. New Environmental Studies

OBL prepared an initial detailed environmental report of R3/R1 by a desktop assessment of the environmental factors that may be impacted by exploration activities in the Cyrano Oilfield and R3/R1 under the latest prevailing Environmental Regulations and Guidelines.

The key results and conclusions of the environmental desktop assessment are as follows:

- The lease area occurs entirely within Western Australian Coastal Waters (i.e. within circa 30 km of the Western Australian Coastline and coastal island archipelago with R3/R1 actually situated closer to Airlie Island than the WA coast), therefore jurisdiction of the lease area lies with the State of Western Australia;
- Environmental regulation for the lease area is governed by legislation and regulated by a number of State Government Departments, including, but not limited to, the Department of Mines and Petroleum, Department of Environmental Regulation, Department of Parks and Wildlife, Department of Water, and the Department of Fisheries;
- General Environmental datum for the lease area:
 - Water depth = ~12 m (+/-0.50m at low tide, to 2.80m at high tide);
 - Water Temperature = ~26.5 °C (average annual temp.);
 - Water Salinity = ~35.09 g/L (average annual salinity level);
 - Air Temperature = 15.2°C (average minimum) to 35.0°C (average maximum).
- The environmental desktop assessment identified a total of 392 vertebrate fauna species that have a potential to occur within the retention lease area, this comprises 15 mammal, 141 bird, 22 reptile and 214 fish species, and of these:
 - 66 species are listed as conservation significant: eight mammal species, 42 bird species (all of which are migratory listed), seven reptile species and nine fish species;
 - 43 conservation significant species (five mammal, 33 bird, four reptile and one fish species) are assessed as having a Medium to High likelihood of occurrence within the retention lease area;
 - 16 conservation significant species (four mammal, eight bird, three reptile and one fish species) are considered as having a High likelihood of occurrence within the retention lease area.
- 24 different species of invertebrate fauna were identified as potentially occurring in the retention lease area, none being of conservation significance.
- 31 different species of flora were identified as potentially occurring in the retention lease area, none are Declared Rare Flora (DRF) or of conservation significance.
- Importantly the new OBL study also concluded that there are no Threatened Ecological Communities (TECs) or Priority Ecological Communities (PECs) occurring within the retention lease area or within a 20 km buffer.

No other Matters of National Environmental Significance (MNES) occur within the retention lease area or within a 20 km buffer.

- The retention lease area is not located along any known shipping routes and falls outside of the Port of Onslow shipping and pilotage area.
- A subsea Optic Fibre Cable is planned to be installed by Telstra within the north-western corner of the retention lease area. Laying of this cable was expected to commence in December 2015. No other infrastructure (subsea or surficial) currently exists within the retention lease area.

The report was under the latest prevailing Environmental Regulations and Guidelines and will form the basis of review of environmental impacts of future development concepts and scenarios that may be considered feasible for exploiting the R3/R1 Cyrano Oil Pool.

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 as 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

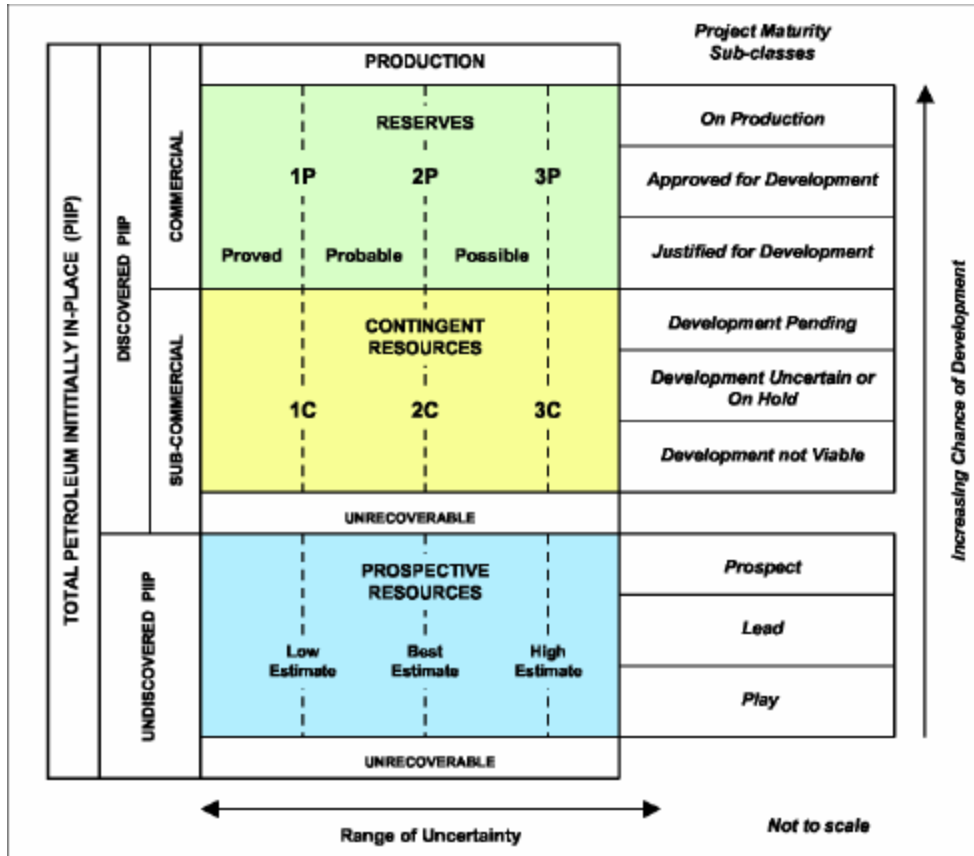
Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

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)
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