



# OIL BASINS LIMITED

ABN 56 006 024 764

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## QUARTERLY REPORT December 2015

Oil Basins Limited (**OBL** or the **Company**) is pleased to present its December 2015 Quarterly Report.

### DECEMBER QUARTER OPERATIONS REPORT

#### HIGHLIGHTS

##### EP487 (Derby Block) – OBL 50% & Operator

- ✓ Application for a force majeure and/or work program variation with unavailability of seismic survey equipment and a new geological interpretation.
- ✓ New mapping confirms a potentially significant wet gas resource within the onshore eastern portion of the Derby Block (bounded by bitumen roads).
- ✓ Overall gross prospective potential recoverable P50 resources down to 5000m within the onshore eastern portion of the Derby Block is now independently assessed at 28.7 Tcf and 717.7 MMbbls of associated condensate.
- ✓ OBL continues as operator of the Derby Block.

##### Permit Vic/P47 – OBL 100% & Operator

- ✓ An application for a 12 month suspension and extension lodged with National Offshore Petroleum Titles Authority (NOPTA) was formally approved on 7 December 2015.

##### Permit Vic/P41 – OBL 35.435%

- ✓ An application for a Year 4 variation was formally approved by NOPTA on 28 October 2015.
- ✓ Impact is that the non-obligation exploration well costing circa \$35 million has been deferred to Year 5 (deferred to 2017).

##### Cyrano R3/R1 – OBL 100% & Operator

- New static study confirms that the **Cyrano central oil pool (only)** has 2C/P50 risked recoverable oil resources of overall 3.4 MMbbls. Assessed recoverable resources are still considered conservative as they assume no pumps, no water injection and no gas lift (which would be deemed essential for the heavy oil production).
- ✓ Desktop study completed under new regulations relating to offshore environmental issues.

#### Management of Permit Obligations

- ✓ Application to DMP for a work program variation for EP487 (Derby Block) to immediately deem Year#1 complete and move immediately into Year#2 (two deep Pilot USG wells in 2016) – decision remains presently pending.

## OPERATIONS HIGHLIGHTS

### CANNING BASIN

#### Joint Venture interests

The EP487 Joint Venture participating interests comprise:

Oil Basins Limited (ASX code <b>OBL</b> )	50% and Operator
Rey Lennard Shelf Pty Ltd ( <b>RLS</b> ) - wholly owned subsidiary of Rey Resources Limited (ASX code <b>REY</b> )	50%
Oil Basins Royalties Pty Ltd (wholly owned subsidiary of OBL)	2% ORRI (pending)
Backreef Oil Pty Limited	0.5% ORRI (pending)

#### EP487 (Derby Block)

##### Operations Update

##### Variation Application – Proposed Work Program

Prior to quarter commencement, on 24 September 2015, Oil Basins on behalf of the joint venture formally lodged a variation with the WA DMP to either extend Year 1 by a further year to 13 December 2016 to enable the new 533km 2D seismic survey to be undertaken in second calendar half year 2016 (EP487 Joint Venture seeks a force majeure due to OBL's seismic contractor advising that due to other work commitments that it is unable to supply seismic survey equipment until 3Q/4Q 2016); or alternatively vary the work program to reprocess existing vintage 2D seismic to seek drilling locations and if two are successfully delineated move into Year 2 and drill two wells by 13 December 2016.

Following discussions with the DMP in October an extensive technical annexure was formally submitted to the DMP on 30 November 2015 and formally presented by OBL on behalf of the Joint Venture on 7 December 2015.

A decision by the regulator remains presently pending and the Company will advise the market in due course.

Should the variation be approved, the EP487 Joint Venture will have been deemed to have completed all Year 1 obligations and will move immediately into a drilling program of a minimum of two wells in 2016 most likely targeting Wet Laurel Basin Centred Gas (BCG) at a recently prognosed "Valhalla look-alike" BCG prospect.

In anticipation of the variation, OBL as Operator has prepared in January 2016 the forward planning for development of environmental and groundwater monitoring approvals that will be necessary for this new activity, and has submitted these to its joint venture partner for review.

##### Variation Application – Resources Assessment

In support of delineating deep BCG prospects as mentioned, the EP 487 Joint Venture reprocessed 140 line km of vintage 2D seismic and integrated this with recent 2D and 3D seismic and assessed the newly-public file data on the nearby BCG wells at Yullero-3 and -4, Valhalla-2, Valhalla North-1, Paradise-1 and Asgard-1, with a re-assessment of the vintage deep East Yeeda-1 (1985) well on the Derby Block (**which intersected an abnormal pressure tight gas pay in the Upper Laurel through a 286 m gross interval**).

##### New Mapping

OBL as Operator of WA onshore Permit EP487 (Derby Block) has recently completed new mapping and depth conversion of the New Unconventional Wet Laurel Tight Basin Centred Gas (**BCG**) Play earlier presented to shareholders at the OBL AGM on 30 November 2015 – refer to ASX release 30 November 2015 and Figure 1.

Three prospects have been delineated within EP487 (Derby Block) based on identification of the major reservoir play, thickness and depth of burial. All are Laurel plays defined as unconventional, Basin Centred Gas (BCG) stratigraphic plays and all have significant potential for condensate production, (ignoring the deeper Basal Laurel tight shale gas unit), namely:

- **West Kimberley Wet Laurel BCG and 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 also has potential.
- **Yeeda Wet Laurel BCG Prospect** – Principally an Upper Laurel reservoir play drilled by East Yeeda-1. Deeper potential in the Middle and Lower Laurel (> 3,500 m). 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 Wet Laurel BCG Prospect** – similar to and possibly an extension of the Yeeda Laurel BCG Prospect with similarities to the Yulleroo Gas Field to the south west.

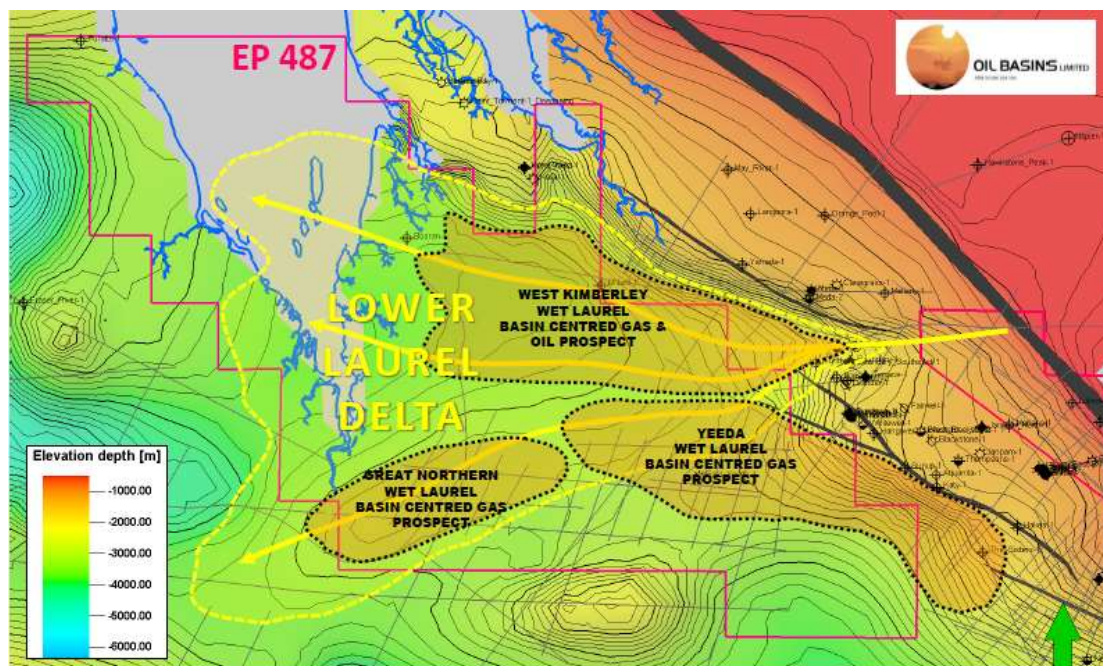


Figure 1

New OBL Mapping Eastern Onshore Section of Permit EP487 (Derby Block)  
OBL ASX Release dated 30 November 2015

### Prospective Potential Recoverable Resources – Wet Laurel Basin Centred Gas

The Company's operated permit is a **potential new energy source** and with new mapping complete, early 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. 3D-GEO had earlier in 2012 completed the remapping for the WA DMP of the entire Canning Basin in Petrel TM and based on that mapping had delineated gross potential recoverable P50 resources of 18.7 Tcf and 461.9 MMbbls associated condensate in accordance with SPE PRMS (2011) – refer to OBL ASX Release 14 February 2013.

Based upon this new OBL mapping, and all available public file data on nearby Tight BCG wells, a preliminary independent resources assessment has been conducted by 3D-GEO Pty Ltd on the unconventional and tight resources potential of the newly mapped play – 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
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.

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

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

A full summary report will be released in a subsequent OBL ASX Release once finalised and will incorporate the new information released to the ASX by Buru Energy Limited on 22 January 2016, their results and the reported large condensate liquids to gas ratio (and any subsequent releases).

### **Operatorship**

Subsequent to quarter-end, on 14 February 2016, OBL advised the ASX and all stakeholders that it has not resigned as operator of Derby Block in favour of RLS due to a number of petroleum regulations matters raised with REY including default under the joint operating agreement. RLS has subsequently refuted OBL's contentions and at the date of this quarterly remains in default.

OBL is seeking a quick resolution to these issues concurrent with finalising the effects of the variation application with the DMP.



## CARNARVON BASIN

### Retention Lease R3/R1

### Joint Venture interests

OBL	100% and operator
Oil Basins Royalties Pty Ltd	2% ORRI

### 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, with crude oil viscosity 3.95cp.
- Water depth only 12m to 17m and vertical wells are a shallow circa 600m total depth.

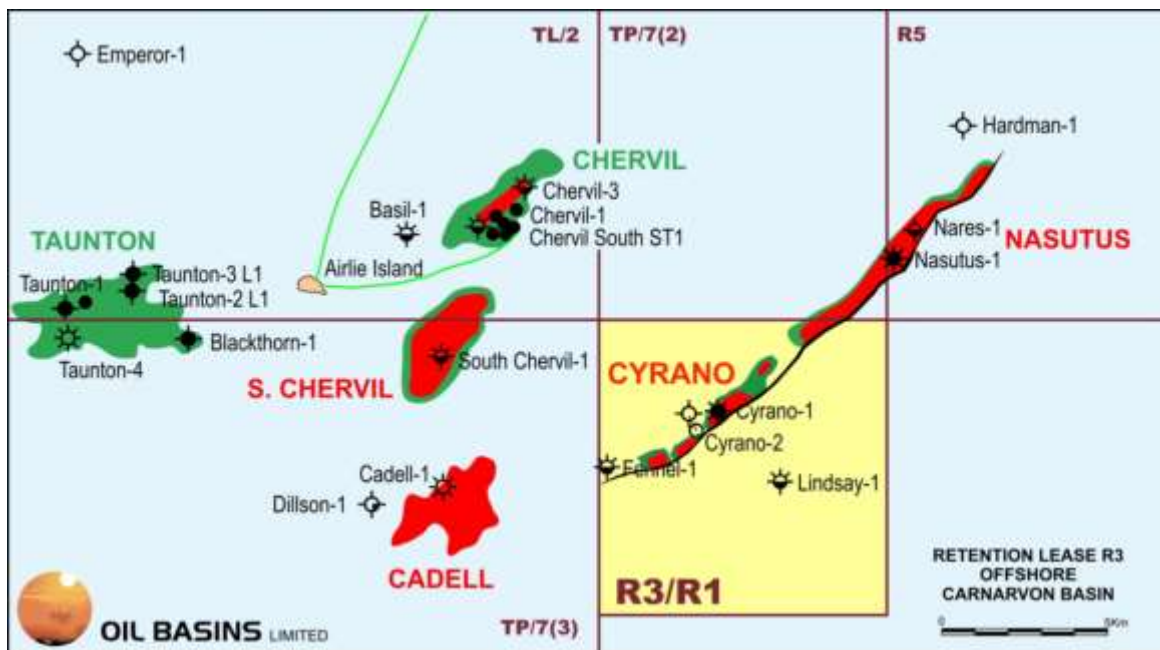


Figure 2

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

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.

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 field work 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 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.

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.

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 and there appear to be no environmental show-stoppers for any conventional development.

## Capital Raisings

On 30 September 2015, the Company agreed the placement of 37.5 million new ordinary OBL shares at \$0.004 (**0.4 cents**) per share raising a gross amount of \$150,000.

Funds so raised are for general working capital purposes and to maintain and/or assist the Company's funding of its EP487 (Derby Block) and Gippsland Basin work programs within its portfolio.

The placement was made to existing sophisticated investors within the Company's existing placement capacity. Normal placement fees were paid on this capital raising and the placement was completed in early October 2015.

On 6 November 2015, OBL advised that it has entered into a funding agreement with The Australian Special Opportunity Fund LP, a New York-based institutional investor managed by The Lind Partners, LLC (collectively **Lind**) for a total funding commitment of up to AU\$1.2 million by way of a zero coupon Senior Unsecured Convertible Security (the "**Convertible Security**").

Under the agreement with Lind, executed effective 5 November 2015, OBL received a net AU\$380,000 in funds after fees on the AU\$400,000 advanced as the first tranche Convertible Security with the face value of the convertible being AU\$460,000.

The agreement has a term of up to 2 years, and the first tranche is made up of:

- a) a zero coupon convertible security in the face amount of AU\$460,000;
- b) the Convertible Security will not be convertible until 3 February 2016 ("**Lock-Up**");
- c) after the Lock-Up, Investor will have the option to convert any outstanding Face Value amounts into ordinary shares at a price per share equal to the lower of (i) 130% of the average of the three daily VWAPs, chosen by Investor, during the 20 trading days before the date of execution of the Agreement or (ii) 90% of the average of the three consecutive daily VWAPs, chosen by the Investor, during the 20 trading days before the date of conversion ("**Conversion Price**") – with both subject to price per share being rounded down to the nearest tenth of a cent.

Funds are to provide working capital and can be utilised for development of the Company's projects and exploration permits in both onshore and offshore Australia.

Should loan conversion of 75% of the Face Value of the initial Convertible Security occur, subject to mutual agreement between the OBL and Lind a second tranche of between AU\$400,000 up to AU\$800,000 (second tranche Convertible Security) on similar terms may be offered.

In addition, as part of the Agreement, Lind received:

- (a) 67,000,000 new OBL unlisted options at the time of funding. Options will be exercisable for 36 months with an exercise price equal to 130% of the average of the daily VWAPs during the 20 trading days before the date of execution of the Agreement (**these options have been issued and priced at 0.4658 cents per share exercisable on or before 17 November 2018**).
- (b) 25,000,000 new OBL Collateral ordinary shares, which will be credited, or returned, to OBL upon conversion, in full, of all outstanding Face Value amounts.

If the OBL elects to receive the second tranche Convertible Security, Lind will receive options equal to 50% coverage at the time of funding. Options will be exercisable for 36 months with an exercise price equal to 130% of the average of the daily VWAPs during the 20 trading days before the date of funding of the Second Convertible Security.

The Agreement contains provisions requiring approval of shareholders if required under Listing Rule 7.1. Shareholder approval was not required for the initial funding to proceed.

### **Specific agreed terms**

Among other normal conditions of a transaction of this type, under the executed Agreement specifically:

1. Lind is entitled to require a share consolidation once the Lock-Up Period has expired.
2. Commitment fee of AU\$20,000 was paid by an offset of the first tranche advance.
3. Lind is restricted from trading of any kind in OBL shares during the Lock-Up Period (unless with Company's consent).
4. Pricing to be determined based on 3 consecutive days during a specified period prior to conversion.
5. Company uses best endeavours to obtain an ASX waiver to be entitled to issue all Conversion Shares under LR 7.1 beyond the 3 month time limit at the pricing in the Agreement, and then this will not be an event of default, provided the Company maintains at all times sufficient placement capacity to issue the shares as and when required.

## Maximum flexibility

The terms of the Agreement expressly allow OBL to carry out additional private placements of equity, rights issues and shareholder purchase plans.

In addition, the Agreement does not restrict the Company from entering into strategic alliance partnerships including cornerstone placements or farmouts of its exploration portfolio or to divest subsidiaries and undertake any part of the Company's normal business activities.

OBL has the right to buy-back under the Agreement at any time during the Lock-Up Period by making a cash payment equal to the Face Value of the Convertible Security.

## 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	100%+	-	-
Vic/P41	Victoria	35.435%	-	-
Cyrano R3/R1	Western Australia	100% +	-	-
Backreef Area	Western Australia	100% +	-	-
EP487	Western Australia	50% +	-	-

+ Operator

## ROYALTY INTERESTS

With the recent approval of a 2% royalty in offshore Gippsland Basin permit Vic/P47, OBL's wholly owned subsidiary Oil Basins Royalties Pty Ltd now effectively owns the following over-riding royalty interests (ORRI):

Cyrano R3/R1	2.0% ORRI
Judith/Moby Location Vic/P47	2.0% ORRI
EP487 (Derby Block)	2.0% ORRI (subject to regulatory approvals)

## CASH POSITION:

Cash and near-term cash holdings at 31 December 2015 was circa \$149,000.

In addition OBL has an unpaid and overdue receivable from RLS of circa \$170,000 for additional work performed by OBL on behalf of the Derby Block EP487 Joint Venture from June 2015 to 31 December 2015.

In the event that further working capital is required, the Company has a placement capacity of approximately 250 million shares and believes that it will be able to source additional funds. The Company is an exploration Company and, as such, does not have a stable source of income. That situation has not changed since the Company was first admitted to the ASX.

Neil F Doyle, SPE  
Director & CEO  
29 January 2016



## 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 <sub>6</sub>	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 = CH <sub>4</sub> = 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
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 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.