Oil Basins Limited

Annual Report 2012

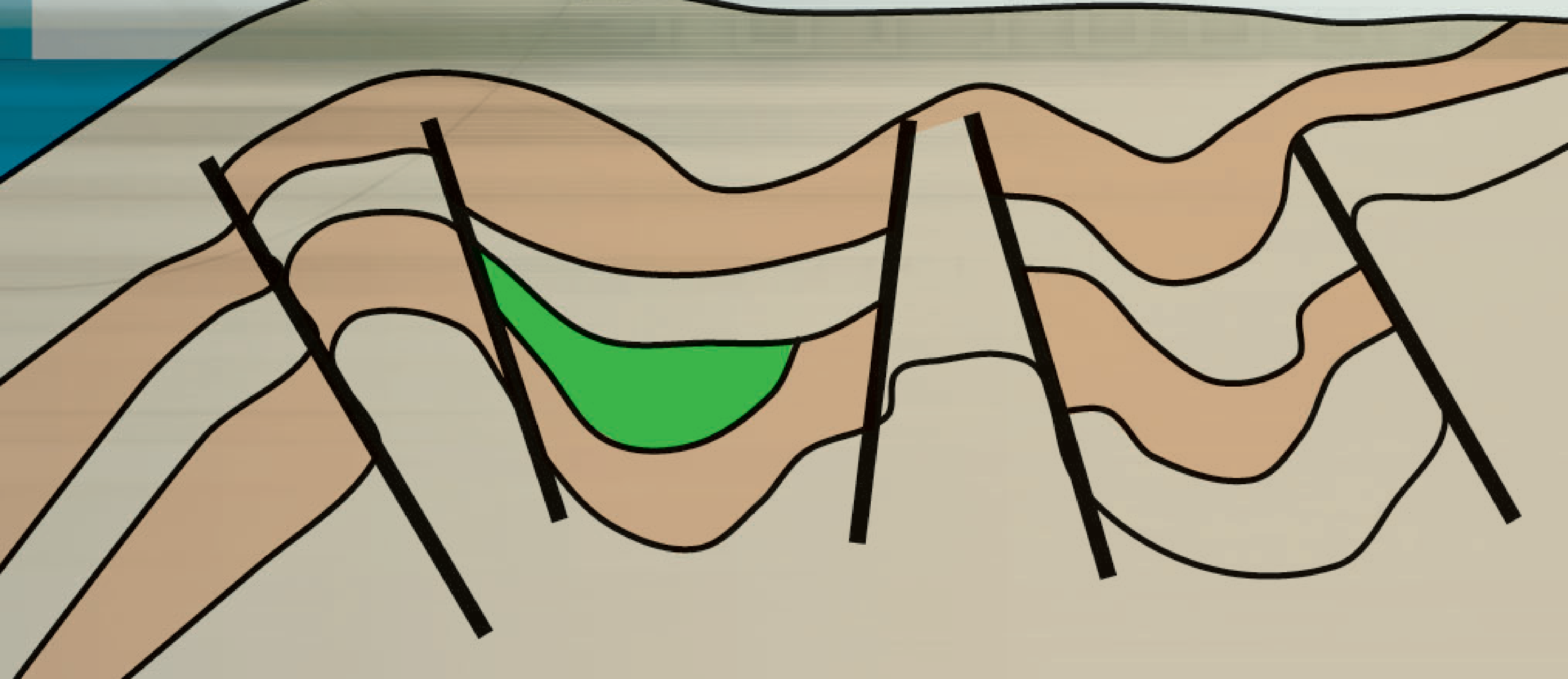
OIL BASINS LIMITED

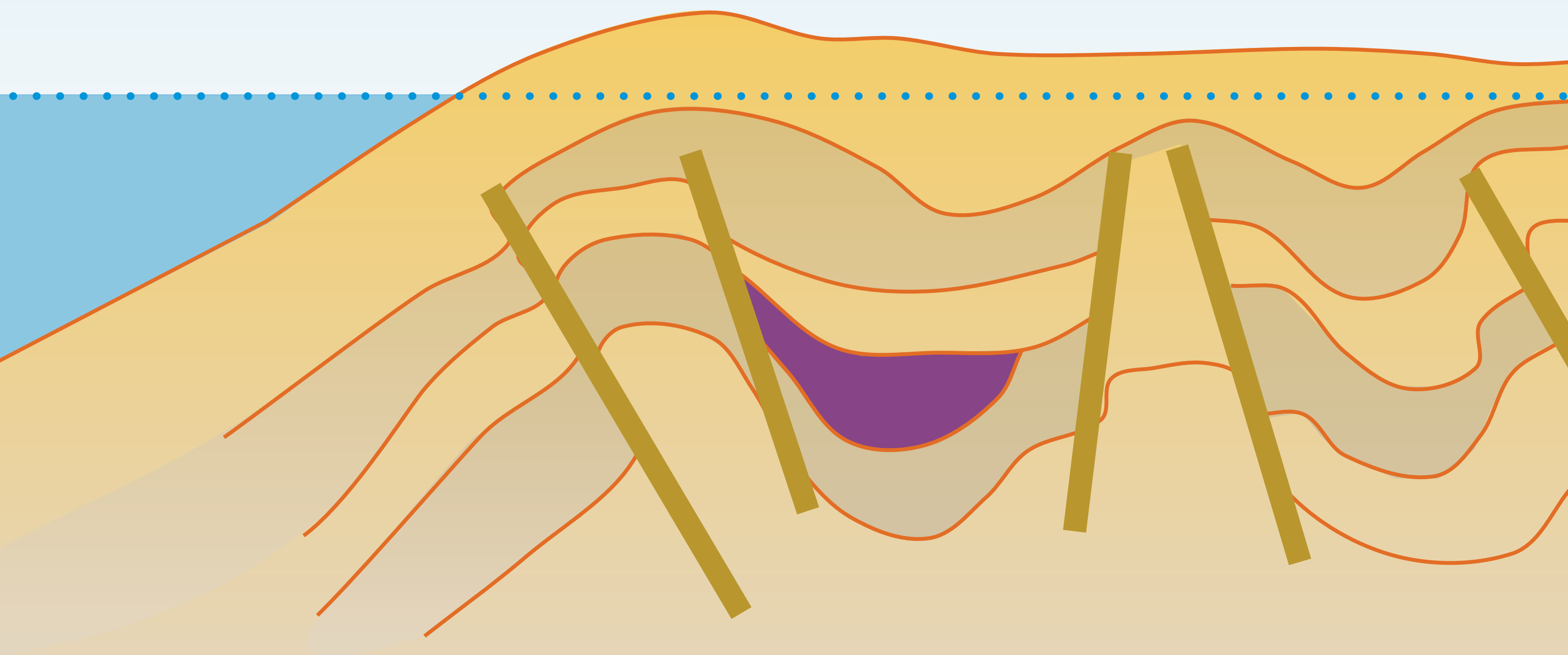
ABN 56 006 024 764

ANNUAL REPORT

for the Financial Year ended 30 June

2012





OIL BASINS LIMITED
CORPORATE DIRECTORY

BOARD OF DIRECTORS

Kim W McGrath
(Executive Chairman)

Neil F Doyle
(Executive Director and CEO)

Nigel H Harvey
(Non-Executive Director)

COMPANY SECRETARIES

Melanie J Leydin

Justin Mouchacca

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Ph: (03) 9692 7222

PRINCIPAL PLACE OF BUSINESS
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SHARE REGISTER
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ABBOTTSFORD VIC 3067
Telephone: (03) 9415 5000

AUDITOR
Deloitte Touche Tohmatsu
Chartered Accountants
550 Bourke Street
MELBOURNE VIC 3000

STOCK EXCHANGE LISTING
Oil Basins Limited shares and options are listed on the Australian Securities Exchange
ASX Codes **OBL, OBLOB**

WEBSITE ADDRESS
www.oilbasins.com.au

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Review of operations

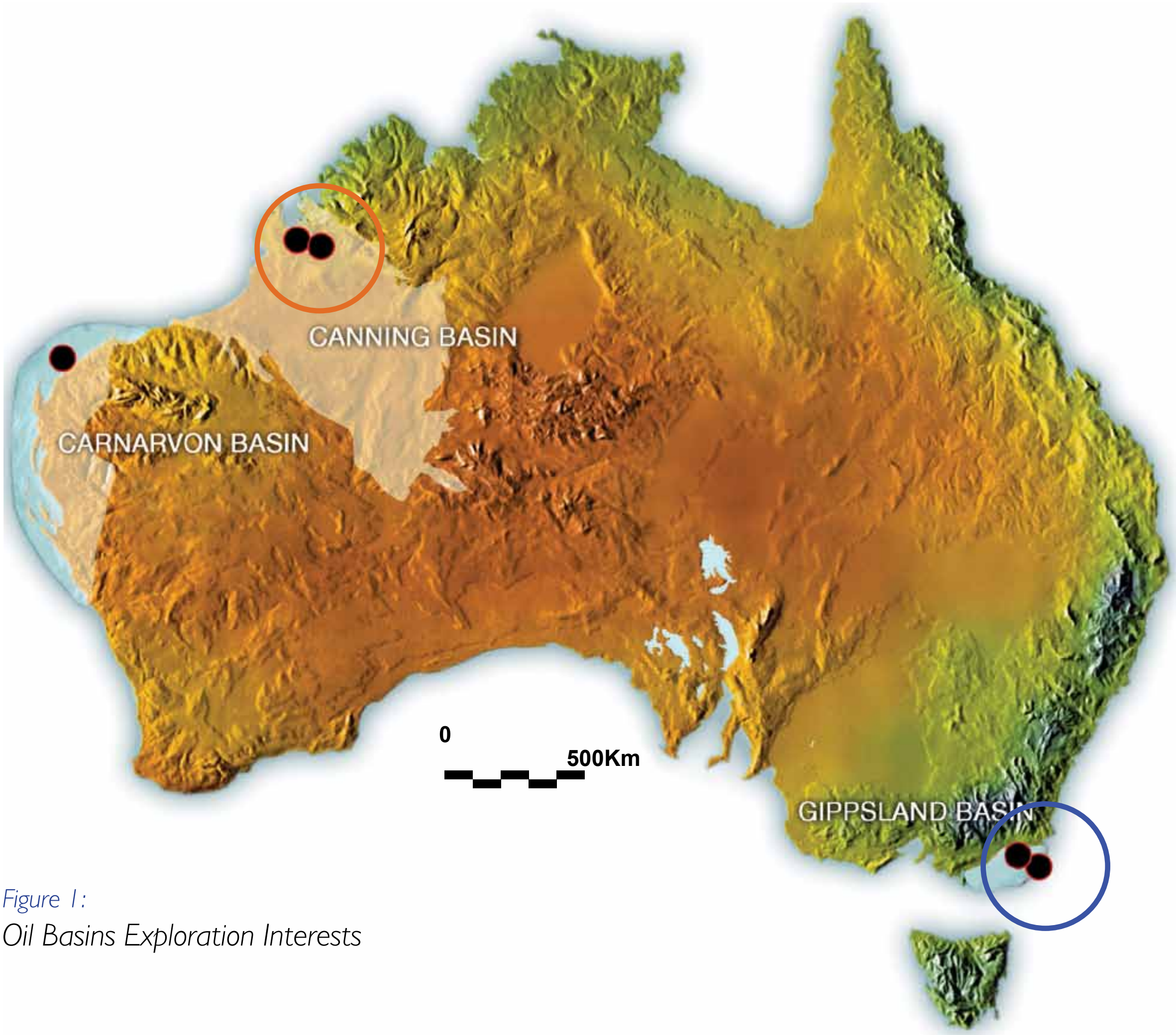

Figure 1:
Oil Basins Exploration Interests

FORWARD LOOKING STATEMENTS

This Full-year Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements. These factors include, amongst other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as matters not yet known to the Company or not currently considered material by the Company.

COMPANY'S ASSETS

Oil Basins Limited (ASX codes OBL, OBLOB) (OBL or Company) is involved in exploration for oil and gas in the offshore Gippsland Basin waters of south-eastern Australia, the onshore Canning Basin of Western Australia and the offshore Carnarvon Basin waters of Western Australia. Importantly all assets are situated in good hydrocarbon addresses and all are strategically close or adjacent to existing or future development infrastructure.

Since requotation on the Australian Stock Exchange on 22 August 2006, the Company has built a portfolio of assets and strategic investments (Figure 1).

Upstream interests

Presently, the Company's upstream asset portfolio includes:

- 12.5% interest in Vic/P41 situated in the offshore Gippsland Basin. Permit Vic/P41 contains 6 undrilled Prospects defined by 3D seismic and AVO anomalies.
- 17% interest in Vic/P66 situated in the offshore Gippsland Basin.
- 80% beneficial rights to, and Operator of, the Backreef Area in the onshore Canning Basin. Backreef Area planning is advancing for further drilling during Q4 2012, subject to rig availability and stakeholder approvals, The Backreef Area includes 7 undrilled Leads.
- 50% interest in permit application 5/07-8 EP situated in the onshore Canning Basin and designated Operator in respect of CSG and USG.
- 100% interest in, and Operator of, Retention Lease R3/R1 situated in the offshore Carnarvon Basin. R3/R1 contains the undeveloped Cyrano Oil Field. OBL regularly performs in-house and external geological and geotechnical assessments of oil and gas sector farmins, new permit releases, and investment and acquisition opportunities. OBL remains interested in expanding its portfolio in both the upstream and downstream hydrocarbon sectors within Australia and internationally.

Upstream investments

Presently, the Company's upstream investment portfolio includes:

- 17.4% interest in ASX listed Bass Strait Oil Company Ltd (ASX code BAS) - refer to website www.bassoil.com.au. BAS owns various offshore Gippsland Basin and onshore Otway Basin upstream assets.
- The Company holds circa 5% interest in unlisted Anglian Resources plc – an entity screening opportunities and seeking future UK LSE listing of international upstream assets.
- The Company has established a PNG registered public company subsidiary Wantok Oil Limited as a future platform for attractive oil and gas investments that may arise in that region.

2012 operations highlights

Figure 2

Backreef-1 Production Test (16-30 May 2012) using ADS Rig#2

During the Full-year ended 30 June 2012, the Company reports:

Operated Assets Highlights

- During April 2012, OBL successfully completed the farmout of 20% Backreef Area to Green Rock Energy Limited for circa $3.5 million, as a result OBL is mostly funded on its 2012 Backreef Area Work Program.

- During May 2012, OBL as Operator of the Backreef Area JV (OBL 80% beneficial rights) conducted a production test at Backreef-1 (Figure 2) which delineated a 'technical' non-commercial oil discovery within the Basal Yellow Drum formation (previously described as the Gumhole formation).

- Recent oil sample analysis has confirmed the oil to be a 'Laurel' type oil similar to Meda-1 oil.

- Preparations are well advanced to drill a follow-up East Blina-1 well in the Backreef Area with an expectation to spud this new exploration well during October 2012 (subject to stakeholder approvals).

- The permit application 5/07-8 EP mediation was terminated by the KLC in early May 2012. Arbitration hearings convened by the National Native Title Tribunal (NNTT) commenced in late June 2012 and are presently on-going.

- As at the time of this report, it is expected that the NNTT will progress further hearings with the expectation of a decision in December 2012.

- In early October 2011, the Company successfully renewed Retention Lease R3/R1.

- Also in October 2011, the Company released the results of its independent petroleum engineering Cyrano Oil Field Scoping Study, showing an immediate opportunity to pursue a possible preferred development via an Extended Well Test with a modest estimated development cost - using 'fit-for purpose' re-useable leased equipment - of less than USD$30 million.

- The geological and geophysical assessment of additional potential contingent reserves and resources within Retention Lease R3/R1 continued during the year and the September quarter. These new studies are expected to be finalised in October 2012.

Non-Operated AssetsHighlights

- OBL moved to consolidate its Gippsland interests and now holds a 12.5% interest in offshore Gippsland Basin permit Vic/P41 (a long-held foundation IPO Company asset).

- During the June quarter 2012, the Company finalised a formal agreement with Strategic Energy Resources Limited (ASX code SER) for the transfer and assignment of 7.5% of offshore permit Vic/P41 situated in offshore Gippsland Basin, Victoria.

- The Company subsequently received regulatory approval from NOPTA on 17 July 2012 for the transfer of the direct 7.5% interest in Vic/P41 and now holds a direct 12.5% interest in Vic/P41.

- The benefit and impact to shareholders of this, and the November 2011 similar transaction with Moby Oil & Gas Limited (ASX code MOG) for transfer and assignment of 5.0% of Vic/P41, is that OBL has effectively removed a circa $4.1 million contingent obligation for a $nil cost.

- The directors are pleased that the Company will now participate fully as a net 12.5% Vic/P41 Joint Venture Partner in any subsequent successful farmout of this permit.

Subsequent Events

- On 2 August 2012, the Company and associates of Mr E.G. Albers (Albers Group) reached agreement for OBL to acquire the Albers Group's entire shareholding position of 57,757,899 shares in Bass Strait Oil Company Ltd (BAS) for a consideration of $250,000 plus the issue of 38,505,266 fully paid OBL ordinary shares (on a 2 OBL for 3 BAS share exchange basis).

- Following completion of this transaction the Company and related parties, which previously had held an undisclosed collective 19,358,829 shares (or 4.99%) in BAS, increased their collective shareholding to 77,116,728 shares (or 19.9%) in BAS, which after a recent BAS placement and rights issue stands at 90,154,215 shares (or 17.4%) in BAS.

- The transaction resulted in the Company becoming a major shareholder in BAS and is viewed as being strategic to OBL's overall long-term interests. The transaction resulted in the Albers Group becoming the Company's major shareholder group with circa 7.0%.

- On 13 August 2012, BAS announced that it had agreed to issue 56,205,942 shares (by way of placement) to Cooper Energy Limited's (COE) wholly owned subsidiary Somerton Energy Limited, increasing the COE group holding to 16.7%, which was later increased under the BAS rights issue and through a COE sub-underwriting of shortfall to a holding in BAS of 19.9%.

- On 3 September, 2012, the Company commenced legal action in the Federal Court of Australia to determine whether BAS has duly conducted the placement and rights issue with the necessary proper authority under its Constitution and in accordance with the ASX Listing Rules. ASIC and the ASX are aware of OBL's concerns and have been informed of the action. The action will be heard on 8 October 2012.

Carnarvon Basin Retention Lease R3 / RI – OBL 100% & Operator

The Company operates and owns 100% of Retention Lease R3/R1 containing the Cyrano Oil Field, located in offshore Carnarvon Basin, Western Australia (Figure 3). OBL acquired 100% of R3, including the Cyrano Oil Field, in late 2010 for approximately 30 cents/bbl based upon conservative 2C resources of 1.0MMbbls. Water depth at Cyrano is only 17m and productive reservoirs are at a modest 600m. This low-cost entry has excellent hub potential with close proximity to nearby infrastructure.

As part of the R3 Renewal Application, in early 2011 OBL commissioned independent expert RPS Energy to perform a detailed review of 3D seismic and examine exploration well data. The published report showed risked Stocktank Oil Initially in Place (STOIIP), theoretical in-place oil reservoir capacity, for Mardie Greensand and Airlie Sandstone reservoirs totals:

- P90 – 5.42 MMbbls
- P50 – 10.13 MMbbls
- P10 – 18.19 MMbbls
- Maiden-booked 1C, 2C, 3C contingent resources are now 0.54, 1.52 and 3.64 MMbbls oil based on an assumed 15% recovery factor.

The Company successfully renewed the Retention Lease as R3 / R1 for five years commencing 12 October 2012. New mapping has seen 2C contingent resources revised upwards to circa 1.5MMbbls, but it presently remains uneconomic and challenging based upon a standalone field development.

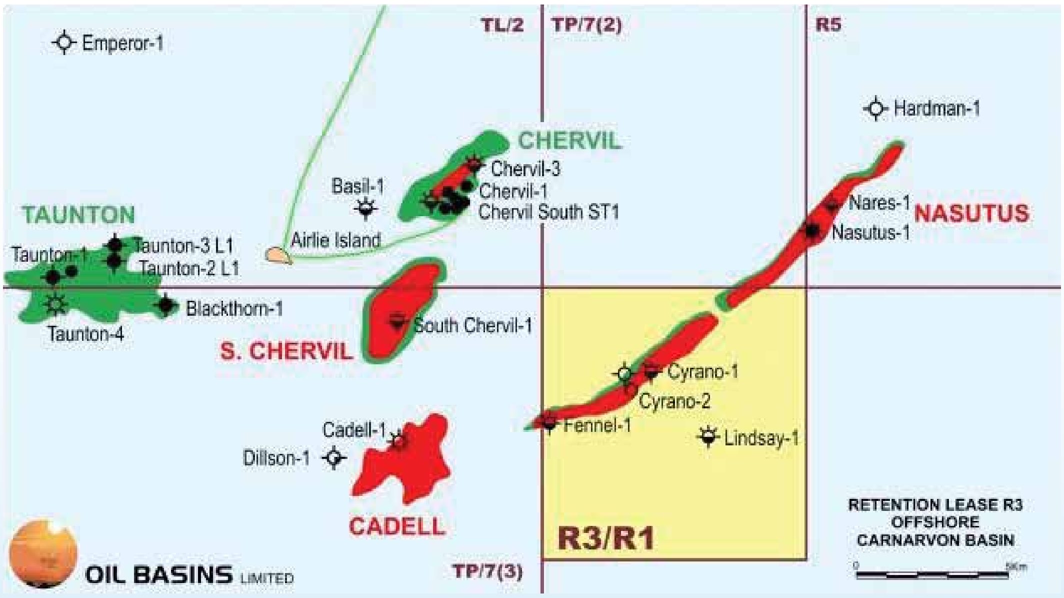

Figure 3: Location of Retention Lease R3 / R1

The scoping study for the Extended Well Test (EWT) - also commonly called an Extended Production Test (EPT) - development scenario was completed by DU-EL during the October quarter 2011 and was first reported by the Company to the ASX on 23 October 2011.

- The Company believes that it now has a roadmap to a practical 'new' rapid development hub EWT concept that may lead to greatly improved economics allowing the development of the Cyrano Oil Field within a modest risked capital of circa USD$30m and with expected capital recovery breakeven estimated within 12 months.

- The concept is subject to reservoir risk which will require future reservoir simulation studies to assist in de-risking and assessing performance variables.

- OBL believes that this innovative 'new development concept' may have significant impacts to Cyrano and have application to other similar marginal stranded oil fields. OBL is seeking further acquisition / development opportunities.

Work continues on assessing the additional potential contingent reserves and resources within Retention Lease R3/R1 to include confirming evidence, with re-mapping the existing 3D, that the northern Nasutus Oil Field extends into R3/R1 from adjacent R5, an assessment of low cost development options, and potential for improving overall field recovery factors. This involves possible application of modern pumping and completion technologies to boost risked 2C resources to between 2.5MMbbls and 4.0MMbbls within the Retention Lease. These new geological and geophysical studies are expected to be finalised during October 2012.

Canning Basin Backreef Area – OBL 80% Rights & Operator

The Backreef Area project lies near the Blina oilfield, located within the Kimberley Downs Embayment of the Canning Basin (onshore production licence L6), 105km east-southeast of Derby, refer to Figure 4.

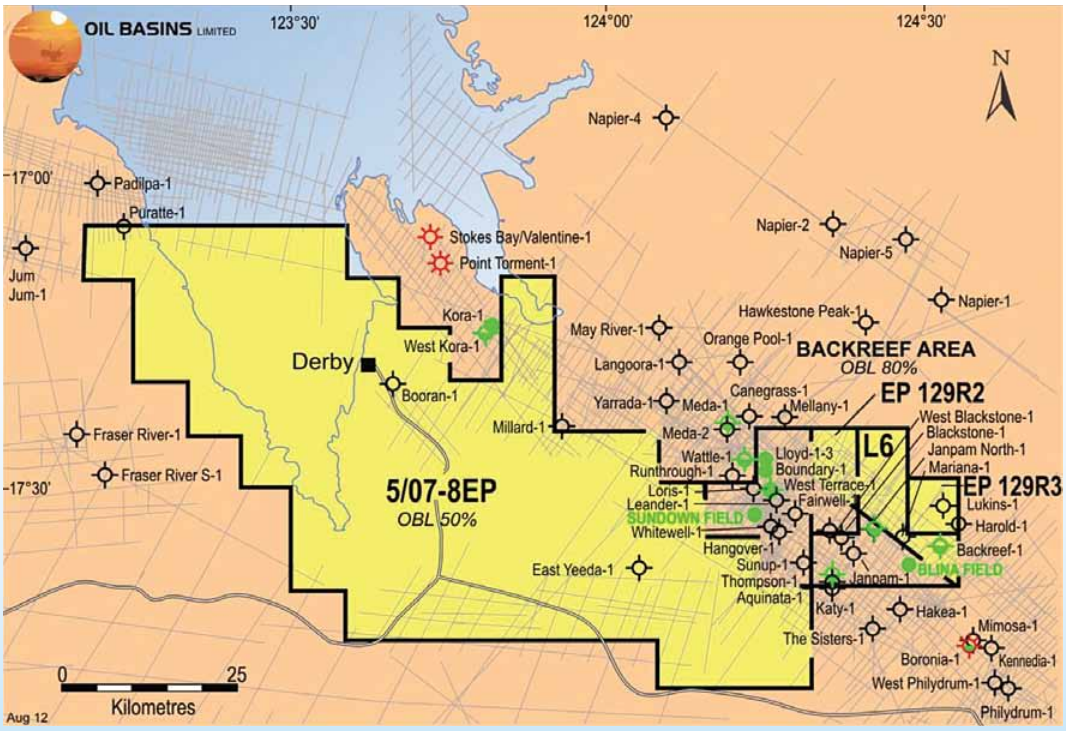

Figure 4: Location of OBL's Canning Basin Interests

First drilling of the Embayment to 1800m occurred during October 2010 with the Backreef-1 wildcat exploration well costing a gross $4.5m. Over 223m of continuous oil shows was observed between 889-1112m RT with the zone between 910-965m being most prospective, with the well suspended at PBTD 1155m.

During 2011 OBL conducted an extensive geophysical and geological assessment of this new shallow oil play area by digitising the vintage 2D seismic lines using modern 3D techniques and, following reprocessing, defining a PSDM cube for circa 200 sq km of the embayment. Following in-house geological interpretation in September 2011, the Company commissioned independent expert RPS Energy to perform other petrophysical and correlation studies with the nearby Blina Oil Field. In addition to the Backreef-1 Lead, a further 7 Leads were successfully mapped in what was prognosed to be a potentially highly productive reservoir zone within the Backreef Area,

The overall gross contingent prospective resource estimates of the Leads was estimated at between circa 9 to 37MMbbls with a Mean of 20.6MMbbls (refer to OBL ASX Release dated 23 November 2011).

During late March and April 2012 the Company successfully farmed out a 20% interest to Green Rock Energy Limited.

In Late March 2012, the Company contracted rig contractor Australian Drilling Services Pty Ltd (ADS) and subsequently deployed ADS Rig#2 for the Backreef-1 cased hole production tests.

With stakeholder prior approvals, the test program was subsequently expanded to include two test zones within the carbonates of the Gumhole Formation and the Yellow Drum Formation.

The results of the production tests conducted in mid May 2012 were as follows:

- A 4m interval 957m to 961mRT (Zone 1 – Basal Yellow Drum formation) was perforated underbalanced with nitrogen and observed surface pressure build-up was rapid to 364 psig and over 800m influx (approximately 12 bbls) was of mostly fresh water was observed in test string. Evident initial flow rates were recorded in excess of 1000 bpd with permeability estimated at between 700 to 750 millidarcy (mD). After reverse circulation, the packer was unseated. Oil was observed at the surface of the well. Oil and water samples were taken for further laboratory analysis.

- Underbalanced perforation of the upper 22m interval between 918m to 940mRT (Zone 2 – Yellow Drum Formation) was again conducted using nitrogen. Evident permeability was observed to be quite tight at between 0.1 to 10 mD (similar to the nearby Blina Oil Field). No traces of oil were observed at the surface. Water samples were taken for further laboratory analysis.

- At the completion of both tests, OBL as Operator of the Backreef Area JV reported the 'technical' oil discovery to the Minister and stakeholders as required under the WA Petroleum and Geothermal Energy Resources Act 1967.

- Specifically the oil observed in the Basal Yellow Drum formation (Zone 1) appears to be the first such oil discovery within this potentially high quality reservoir formation in the region of Licence L6, and as such, enhances the RPS Energy assessment of the shallow oil play potential within the Kimberley Downs Embayment.

- Initial petrochemical analysis of the oil recovered from the Zone 1 production test is encouraging. Early assessment indicates that the 'live oil' fingerprint appears to be a 'Laurel' type oil with similar characteristics to oil recovered from WAPET's Meda-1 discovered in 1958 (and located some 45km distant to the north east) and very different from nearby downdip Blina Oil Field discovered by Home Energy Company in 1981 (and located some 7km to the west) – additional work is required to fully interpret the data.

- In the opinion of the Company's Independent Test Engineer, Backreef-1 is **"currently a non-commercial oil discovery"** and the potential oil as a prospective resource, would need either a successful up-dip sidetrack (or better-sited appraisal well) or a successful EPT to establish it as a discovery under SPE PRMS classification.

- Under the terms of the GRK Farmin Agreement, OBL retains 100% of any benefits from any future Buru Energy Limited backin, which according to the Backreef Play Agreement can only be exercised as a one-off right and only exercisable in the event that the Backreef-1 well is declared a commercial discovery under strict SPE PRMS Guidelines.

- Consequently, in OBL's opinion, Buru Energy Limited's backin rights do not apply and OBL retains 80% of the beneficial rights to the Backreef Area upon drilling of the second well by 31 October 2012.

- The final cost of the Backreef-1 production test was circa $2.2 million, with over $0.5 million directly attributable to the decision to test two zones rather than one.

Application Permit 5/07-8 EP – OBL 50% Rights & Operator

On 12 July 2011, OBL was appointed designated Operator in respect to unconventional gas - both unconventional shale gas (USG) and coal seam gas (CSG) - for this Application, as a prelude to formal appointment of an Operator under the Joint Operating Agreement for the Joint Venture on award of the permit. Permit 5/07-8 EP is likely to be a potential new energy source for both USG and CSG, with an Independent Expert Report confirming the prospective potential of both. The Permit is attractively located with respect to existing infrastructure around Derby and nearby both the proposed Kimberley LNG Terminal at James Price Point (Figure 5) and the proposed Point Torment deep water marine and industrial terminal.

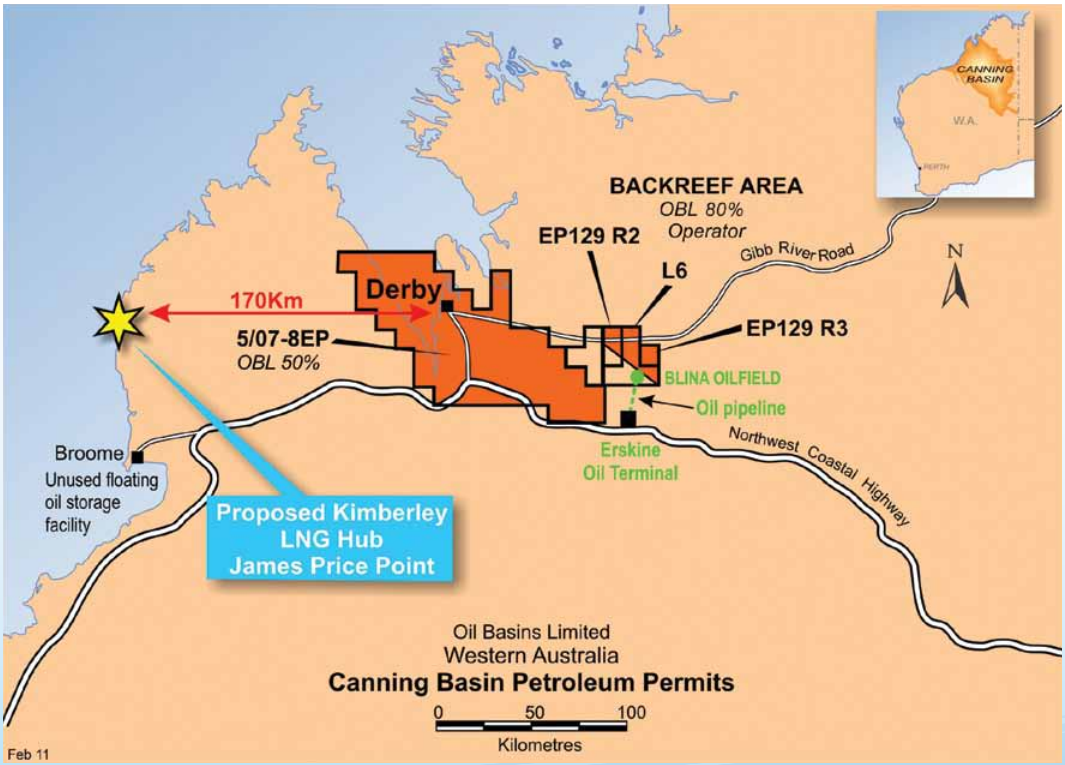

Figure 5: Location of OBL's Canning Basin Interests and Proximity to Infrastructure

With respect to USG potential, 6 prospective shale formation units have been mapped all occurring within 5/07-8 EP. The Independent Expert estimates a large potential gas resource within 5/07-8 EP with an approximate range of gross USG unrisked gas initial in place potential (GIIP) from 106 – 527 Tcf. During 2012, OBL engaged 3D-Geo Pty Ltd to map this western area of the Fitzroy Basin and has prepared a confidential risked assessment of the resource potential.

Permit 5/07-8 EP also looks to be a sweet spot for coal seam gas (CSG) exploration. Two coal depocentres delineated are considered highly suitable for CSG with thick and deep coal. Petroleum well Booran-1 has a maximum coal intersection of 20m. The Independent Expert assessed the mid-estimate CSG risked recoverable prospective 2P potential at circa 6.8 Tcf.

Eastern Gippsland Basin Vic/P41 – OBL 12.5% & Vic/P66 – 17%

With the recently completed transfer of Vic/P41 interests to the Company, the Company currently holds a direct 12.5% interest in Permit Vic/P41 in the offshore Gippsland Basin, which contains some 21 oil and gas fields currently in production, including Australia's largest oil discovery to date, the Kingfish field – circa 3 billion barrels (Figure 6). In addition the Company holds a direct 17% interest in the largely unexplored mostly deeper water Vic/P66.

Permit Vic/P41 contains a number of large undrilled prospects defined by modern 3D seismic, including Kipling, Benchley and Oscar, as well as the western part of the Lead-A feature. Both the Vic/P41 and Vic/P66 JVs have recently completed a 2D and 3D seismic inversion project over the Rosedale trend prospects and have delineated gross prospective resources of between 3 Tcf to 5 Tcf and over 700MMbbls of natural gas liquids (oil, condensate and LPG). A related basin modelling project has also been successful in defining the nature of the hydrocarbon charge in the east Gippsland area. Further 3D seismic straddling both permits is planned for 2013.

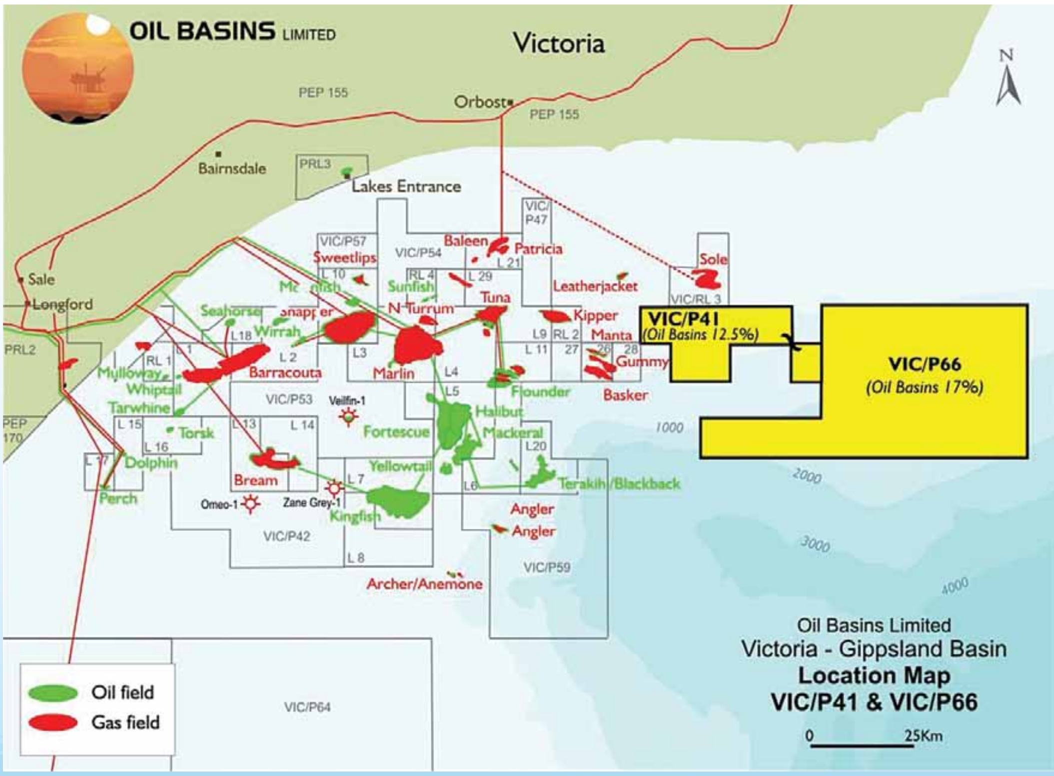

Figure 6: Location of OBL's Gippsland Basin Interests

CAPITAL RAISINGS

On Monday 15 August 2011, the Company announced its intention to make a Share Purchase Plan offer (SPP) at 2.5 cents per share to all shareholders registered on the Company's share register at 7pm on Friday 12 August 2011.This represented a discount of 16.6% to the ASX closing price on Friday 12 August 2011 for OBL ordinary shares.

The SPP closed on Monday 12 September 2011, after successfully raising $1,104,025 before costs. In accordance with the SPP Terms and Conditions, OBL allotted 44,161,000 ordinary shares at the issue price of 2.5 cents per share to 152 eligible shareholders.

During the March quarter 2012, two capital raisings were successfully transacted which fully utilised the expanded issue capacity of 100 million new securities by 29 February 2012, as approved by OBL Shareholders at the Company's Annual General Meeting on 29 November 2011.

On 29 January 2012, the Company announced the successful placement of 50 million new ordinary OBL shares with 'Sophisticated Investors' and 'Professional Investors' at 2.5 cents per share to raise $1,250,000. This placement was conducted at an identical price to the September 2011 Share Purchase Plan.

Subscribers to the placement include participation from Equity Underwriters Pty Ltd, Alpha Securities Pty Ltd, new investors, together with additional investment from a number of current shareholders and holders of AFSLs.

On 27 February 2012, the Company announced the successful placement of 50 million new ordinary OBL shares with 'Sophisticated Investors' and 'Professional Investors' at 3.2 cents per share to raise $1,600,000.

This placement was completed at a 7% premium to the OBL 30 day Volume Weighted Average Price estimated at circa 3 cents per share. Subscribers to the placement include participation from clients of Equity Underwriters Pty Ltd and Alpha Securities Pty Ltd.

Conversion of OBLOA Options

During the year and immediately subsequent to 30 June 2012, some 61.0 million OBLOA options were successfully converted representing circa $0.9 million. The OBL capital structure presently is:

OBL Capital Structure	Ordinary Shares OBL	Listed Options (OBLOB) @ 4.0 cents
Issued Capital	547,562,359	69,039,768

COMPANY'S EXPLORATION PORTFOLIO

Company / Basin	Exploration Permit	Block / Comments	State	Expiry Date	Area km^2	Interest %
OIL BASINS LIMITED						
Canning	5/07-8 EP	Pending	WA	Under Applic'n.	5,087	**50.00 ***
	EP129 BR	Backreef+	WA	31/12/2012	174	**35.00 ***
	L 6 BR	Backreef+	WA	18/05/2027	205	**35.00 ***
Carnarvon	R3/R1	Offshore Cyrano Oilfield	WA	12/10/2016	80	**100.00***
Gippsland	VIC/P41	Third Term	VIC	28/11/2016	540	**12.50**
Gippsland	VIC/P66	First term	VIC	01/12/2014	2,158	**17.00**
Via OBL 100% Subsidiary Canning Basin Oil Limited						
Canning	EP129 BR	Backreef+	WA	31/12/2012	174	**15.00**
L 6 BR		Backreef+	WA	18/05/2027	205	**15.00**
Via OBL 100% Subsidiary OBL Backreef No 10 Pty Ltd						
Canning	EP129 BR	Backreef+	WA	31/12/2012	174	**30.00**
L 6 BR		Backreef+	WA	18/05/2027	205	**30.00**
* Operator						
+ Beneficial rights						

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 (i.e. 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

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

Romax Refers to the reflectivity of organic macerals in coal which gives a measure of thermal maturity or how hot the coals have been when buried

RT Relative to drilling rig rotary table

TD Total depth

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 (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 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 30 years standing and a continuous Member of the Society of Petroleum Engineers since 1981 (SPE 25 Year Club Member) and by Mr Geoff Geary who is a professional geologist (BSc – Geology) with over 27 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.

Shareholders and investors should refer to the Independent Expert Reports on the Company's website and should note the ASX materials previously quoted and the important definitions and disclaimers attached.

DISCLAIMER – CSG & USG PROSPECTIVITY AND CSG & USG RESOURCES POTENTIAL

There are numerous uncertainties inherent in estimating quantities of prospective and economic CSG and USG resources, including many factors beyond OBL's control. Estimates of economically recoverable CSG natural gas reserves are based upon a number of factors and assumptions, such as geological and engineering estimates and judgments (which have inherent uncertainties and risks), the assumed effects of governmental regulation and access to the Browse LNG Hub and estimates of future domestic gas and export-LNG commodity prices and operating costs, all of which may vary considerably from actual results and/or future negotiations.

Specifically no claims are made by OBL, its JVPs, directors, and their technical and independent consultants as to the CSG/CSM amd USG prospectivity of the Canning Basin permit 5/07-8 EP at this early and preliminary stage.

Prospective CSG and USG resources are those quantities of CSG 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 CSG necessarily exist within the Permit As this work is preliminary in nature, an equally valid outcome in relation to the CSG and USG study areas is that no CSG will be discovered, or be in fact commercial.

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Oil Basins Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

Directors

The following persons were directors of Oil Basins Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Kim W McGrath (Executive Chairman)

Mr Neil F Doyle (Executive Director and CEO)

Mr Nigel H Harvey (Non-Executive Director)

During the previous financial year Mr Kim McGrath was appointed Executive Chairman and Mr Neil Doyle was appointed as Executive Director and CEO of the company.

Principal activities

During the financial year the principal activities of the consolidated entity consisted of investment in selected exploration, production and development opportunities in the upstream oil and gas sector.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to $842,515 (30 June 2011: loss of $1,129,545).

Refer to the preceding pages for a detailed review of operations.

Significant changes in the state of affairs

On 12 August 2011, the company issued 1,160,332 fully paid ordinary shares to executive directors in lieu of bonuses payable for the previous financial year.

On 20 September 2011, the company issued 44,161,000 fully paid ordinary shares through the company's share purchase plan dated 15 August 2011. The total amount raised through this share purchase plan was $1,104,025 with each share being for an issue price of $0.025 (2.5 cents) per share.

During the financial year, the company issued 41,638,061 fully paid ordinary shares for the conversion of 41,638,061 OBLOA options at an exercise price of $0.015 (1.5 cents) per option.

On 15 November 2011, the company announced that it had reached an agreement with Moby Oil & Gas Limited (ASX Code: MOG) for the transfer and assignment of 5% of offshore permit Vic/P41 situated in the offshore Gippsland Basin.

During the financial year, the company also issued 100,000,000 fully paid ordinary shares raising $2,850,000 before costs.

On 2 April 2012, the company announced that it had executed a Heads of Agreement with Green Rock Energy Limited (ASX Code: GRK) relating to the farmout of up to 20% in the Backreef Area, Canning Basin, Western Australia with an up-front payment of $1.1 million.

On 1 May 2012, the company announced that it had received $2.5 million from Green Rock Energy Limited (ASX Code: GRK) following the exercise of the option to acquire a 20% beneficial interest in the Backreef Area, Canning Basin through the acquisition of one of the company's subsidiaries, OBL Backreef No.5 Pty Ltd.

On 15 June 2012, the company announced that it had reached a formal agreement with Strategic Energy Resources Limited (ASX Code: SER) for the transfer and assignment of 7.5% of offshore permit VIC/P41 situated in the offshore Gippsland Basin.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 2 July 2012, the company changed its registered office and principal place of business to the below address:

Level 4

100 Albert Road

South Melbourne VIC 3025

On 2 August 2012, the company announced that it had reached an agreement with associates of Mr E.G. Albers (Albers Group) to acquire the Albers Group entire shareholding position of 57,757,899 fully paid shares in Bass Strait Oil Company Ltd (ASX Code: BAS) for a consideration of $250,000 plus the issue of 38,505,266 fully paid OBL shares. The company issued the consideration shares to the Albers Group on 17 August 2012. The acquisition of these shares resulted in the Company becoming a substantial shareholder of BAS with a consolidated holding with associates of 19.9%, which after a BAS placement and rights issue is now 17.4%.

On 3 September 2012, the company announced that it had commenced legal proceedings, as largest shareholder in Bass Strait Oil Company Ltd (ASX Code: BAS) - and in the interests of good governance, proper authority and rightful action at BAS - to determine whether BAS has duly conducted the placement and rights issue with the proper authority under its Constitution and in accordance with the ASX Listing Rules.

On 18 September 2012, the company announced that it had, as designated Backreef Area JV Operator, significantly advanced its preparations for the proposed 2012 Backreef Area drilling operations, whereby the following had been completed:

- approved an indicative budget for the proposed drilling of East Blina-1;
- lodged a draft bridging Environment Management Plan with the DMP;
- lodged a Preliminary Drilling Program using Dynamic Drilling Rig#17 with the DMP; and
- executed an agreement with Dynamic Drilling for the provision of its Dynamic Drilling Rig#17.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2012.

Information on directors

Name:	Kim W McGrath
Title:	Executive Chairman
Qualifications:	BEc(Hons) LLB FAICD CPA CTA
Experience and expertise:	Mr McGrath is an internationally experienced resources finance and investment banking executive. He is the Managing Director of Delta Corporate Finance Pty Limited a specialist advisory group based in Sydney with active business interests in Australia and the UK. His prior positions in Australia have included legal roles with Comalco and ICL, General Counsel and Company Secretary of Bank of America Australia, General Counsel with Bell Resources responsible for negotiating international lines of finance and business acquisitions, and in strategy and development as General Manager, Strategy and Planning with Industrial Equity. During the mid 1990s Mr McGrath was based in London and worked on the restructure of companies in eastern Europe and particularly on major operations in CIS metals and oil trading, and associated financing in both London and Geneva. After returning to Australia in 1998, Mr McGrath continued to hold full practising certificates as a Solicitor in both England and Wales and in Victoria, as well as holding qualifications as a CPA and more recently as a CTA.
Other current directorships:	CVC Property Managers Limited (Director since 10 December 2004)
Former directorships (in the last 3 years):	Strategic Energy Resources Limited (resigned 14 March 2011)
Special responsibilities:	Member of Audit, Remuneration, Nomination and Risk Committees
Interests in shares:	15,000,000 fully paid OBL ordinary shares
Interests in options:	10,000,000 listed 30 June 2014 OBLOB options at 4 cents

Name:	Neil F Doyle
Title:	Executive Director and CEO
Qualifications:	BEng MEngSc MSPE, MSME
Experience and expertise:	Neil Doyle is an energy specialist with both significant upstream and investment banking experience in the sector. He is a qualified engineer with post-graduate qualifications in geomechanics (Monash Uni) with significant operations experience covering both the upstream (onshore and offshore) oil and gas sector notably with BHP Petroleum and Esso Exploration and Production Australia and also in the downstream refining products / LPG sector with Shell Australia. Subsequently, he has held senior management roles at commercial, technical and business development levels with a number of diversified resources groups and investment banks – specialising in energy-related financial markets investment banking, international cross-border transactions and both initiating and advising on significant mergers and acquisitions within the energy sector within Australia and NZ with JPMorganChase as Senior Vice President as a member of their Global Energy Investment Banking Team. He has had ASX listed public Company experience within the junior resources sector at Managing Director level prior to joining Patersons Securities Limited in March 2004 as a Director of Corporate Finance.

Other current directorships:	Nil
Former directorships (in the last 3 years):	Nil
Special responsibilities:	Member of Audit, Remuneration, Nomination and Risk Committees
Interests in shares:	10,000,000 fully paid OBL ordinary shares
Interests in options:	10,000,000 listed 30 June 2014 OBLOB options at 4 cents

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Name:	Nigel H Harvey
Title:	Non-Executive Director
Qualifications:	BA (Hons)
Experience and expertise:	Mr Harvey has worked two decades in the financial and commodity markets for the international energy banks The Chase Manhattan Bank, Barclays Bank and JPMorganChase (Director - Head of Asia Pacific Energy Derivatives) and more recently Macquarie Bank (Division Director - Energy Markets). He worked initially in credit and corporate finance but mainly in treasury divisions.There he gained extensive crude oil and energy products markets, derivatives, risk management and wider commodity and financial derivatives and markets experience. He focussed on delivering tailored risk management and hedging solutions for producers, airlines and other clients across the Asia Pacific. He has since developed an independent market risk consulting practice. His previous background of almost a decade in business journalism covering the Middle East, its oil sector and related topics equipped him with strong industry knowledge.He is a member of the Australian Institute of Company Directors and the Society of Petroleum Engineers (SPE).
Other current directorships:	Nil
Former directorships (in the last 3 years):	Nil
Special responsibilities:	Member of Audit, Remuneration, Nomination and Risk Committees
Interests in shares:	1,000,000 fully paid OBL ordinary shares
Interests in options:	10,000,000 listed 30 June 2014 OBLOB options at 4 cents

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'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

All shares and options noted in the directors report are holdings at the date of this report.

Geological Consultant

The company's geological and geophysical technical team since the company's requotation on the ASX in 2006 has been headed by Geoff Geary a consultant petroleum geologist (formerly with Oil Company of Australia and Mobil Oil) with over 28 years in the profession. He has had significant experience in company mergers, acquisitions, acreage promotion and farmouts in his career, both with junior, national and with major multi-nationals oil companies. He is experienced in sedimentary basin analysis, sequence stratigraphy, structural geology, seismic interpretation, basin modelling and oil and gas field evaluation and development.

Company secretaries

Melanie Leydin is company secretary and has 20 years experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange. She is a Chartered Accountant and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm Leydin Freyer, specialising in outsourced company secretarial and financial duties for resources and biotechnology sectors.

Justin Mouchacca was appointed as an additional company secretary on 2 July 2012. Justin attended RMIT University in Melbourne where he graduated in 2008. He has recently completed the Chartered Accountants Program and is now a member of the Institute of Chartered Accountants Australia. His expertise over the past 5 years has been providing an outsourced company secretarial and financial role for resources and biotechnology sectors of both listed and unlisted entities.

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Committees	
	Attended	Held	Attended	Held
Mr K McGrath	6	6	2	2
Mr N Doyle	6	6	2	2
Mr N Harvey	6	6	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- to shareholders
- alignment of executive compensation
- transparency

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives ('program participants'). The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2009, where the shareholders approved an aggregate remuneration of $500,000.

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and
- long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments. Options may be awarded to executives based on long-term incentive measures. In addition, Executive directors may receive a bonus payment on the principles of a contract for difference in respect of the value of 5,000,000 fully paid ordinary shares of the company (adjusted for any reconstruction of capital) as determined from a benchmark price on the ASX being the volume weighted average price of the fully paid ordinary shares of the company for the five trading days to and including the close of trading on the respective last day of trading for the 2012 and 2013 financial years.

Consolidated entity performance and link to remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The achievement of this aim has been through the issue of options to directors and executives to encourage the alignment of personal and shareholder interests

Non-Executive directors, other key management personnel and other senior employees have been granted options over ordinary shares. The recipients of options are responsible for growing the Company and increasing shareholder value. The options provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

- Mr K McGrath (Executive Chairman)
- Mr N Doyle (Executive Director and CEO)
- Mr N Harvey (Non-Executive Director)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current positions for the whole of the financial year and since the end of the financial year:

- Ms M Leydin (Company Secretary)
- Mr J Mouchacca (Company Secretary)
- Mr G Geary (Geological Consultant)

Voting and comments made at the company's 29 November 2011 Annual General Meeting ('AGM')

The company received 92.86% of 'for' votes in relation to its remuneration report for the year ended 30 June 2011. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Oil Basins Limited are set out in the following tables.

2012	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees	Bonus	Non-monetary	Super-annuation		Equity settled	Total
	$	$	$	$	$	$	$
Non-Executive Directors:							
Mr N Harvey	60,000	-	-	5,420	-	-	65,400
Executive Directors:							
Mr K McGrath*	335,229	15,880	-	30,175	2,968	-	384,252
Mr N Doyle*	358,165	15,880	-	32,285	3,009	-	409,339
Other Key Management Personnel:							
Ms M Leydin * *	78,000	-	-	-	-	-	78,000
Mr G Geary	67,500	-	-	-	-	-	67,500
	898,894	**31,760**	**-**	**67,860**	**5,977**	**-**	**1,004,491**

* bonuses noted were paid subsequent to year-end, but have been accrued as they were in relation to the 30 June 2012 financial year. These bonuses were issued as pursuant to the terms of the relevant executive services agreements.

** Amount consists of fees paid to Leydin Freyer Corporate Pty Ltd in respect of company secretarial and accounting services.

2011	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Fair valua of options received as compensation	Total
	$	$	$	$	$	$	$
Non-Executive Directors:							
Mr N Harvey	48,000	-	-	4,320	-	23,187	75,507
Executive Directors:							
Mr K McGrath*	215,550	17,405	-	19,340	1,116	23,187	276,598
Mr N Doyle*	248,100	17,405	-	22,329	1,302	23,187	312,323
Other Key Management Personnel:							
Ms M Leydin**	78,000	-	-	-	-	9,275	87,275
Mr G Geary	48,000	-	-	-	-	4,638	52,638
	637,650	**34,810**	**-**	**45,989**	**2,418**	**83,474**	**804,341**

* On 12 August 2011 the company issued 580,166 shares to each executive in consideration for the bonus payments payable, at an issue price of $0.03 (3 cents) per share. These bonuses were issued as pursuant to the terms of the relevant executive services agreements.

** Amount consists of fees paid to Leydin Freyer Corporate Pty Ltd in respect of company secretarial and accounting services.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At Risk -STI		At Risk - LTI	
Name	2012	2011	2012	2011	2012	2011
Non-Executive Directors						
Mr N Harvey	100%	69%	-	-	-	31%
Executive Directors						
Mr K McGrath	96%	86%	4 %	6%	-	8%
Mr N Doyle	96%	87%	4%	6%	-	7%
Other Key Management Personnel						
Ms M Leydin	100%	89%	-	-	-	11%
Mr G Geary	100%	91%	-	-	-	9%

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Kim McGrath
Title:	Executive Chairman
Agreement commenced:	1 January 2011
Details:	(i) Mr McGrath may resign from his position and thus terminate the agreement by giving 6 months' written notice. (ii) The Company may terminate this agreement by providing 6 months' written notice. (iii) The Company may terminate the agreement at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr McGrath is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. (iv) On termination of the agreement, Mr McGrath will be entitled to be paid those outstanding amounts owing to him up until the termination date and may be required to resign as a director.

Name:	Mr Neil Doyle
Title:	Executive Director
Agreement commenced:	1 December 2010
Details:	(i) Mr Doyle may resign from his position and thus terminate this agreement by giving 6 months' written notice. (ii) The Company may terminate the agreement by providing 6 months' written notice. (iii) The Company may terminate the agreement at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Doyle is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. (iv) On termination of the agreement, Mr Doyle will be entitled to be paid those outstanding amounts owing to him up until the termination date and may be required to resign as a director.

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

The company issued shares during the financial year in lieu of bonuses accrued for the previous financial year in order to conserve cash and cash equivalents. There were no other share issues as part of director or key management personnel for the financial year.

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2012.

Details of options over ordinary shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012 are set out below:

	Number of options granted during the year		Number of options vested during the year	
Name	2012	2011	2012	2011
Mr N Doyle (or nominee)	-	-	-	5,000,000
Mr K McGrath (or nominee)	-	-	-	5,000,000
Mr N Harvey (or nominee)	-	-	-	5,000,000
Ms M Leydin (or nominee)	-	-	-	2,000,000
Mr G Geary (or nominee)	-	-	-	1,000,000

E Additional information

The earnings of the consolidated entity for the five years to 30 June 2012 are summarised below:

	2008	2009	2010	2011	2012
	$	$	$	$	$
Revenue	46,671	96,830	11,458	42,094	2,471,788
Net profit / (loss) before tax	(359,638)	(660,488)	(774,890)	(1,129,545)	842,515
Net profit / (loss) after tax	(359,638)	(660,488)	(774,890)	(1,129,545)	842,515

The earnings of the consolidated entity for the five years to 30 June 2012 are summarised below:

	2008	2009	2010	2011	2012
Share price at start of year	0.110	0.120	0.015	0.023	0.030
Share price at end of year	0.120	0.015	0.023	0.030	0.032
Basic earnings per share (cents per share)	(1.130)	(1.510)	(0.700)	(0.458)	0.259

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Oil Basins Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
November 2009 to August 2011	30 June 2014	$0.04	69,039,768

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Oil Basins Limited were issued during the year ended 30 June 2012 on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
Various	$0.015	41,638,061

Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of Deloitte Touche Tohmatsu

There are no officers of the company who are former audit partners of Deloitte Touche Tohmatsu.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Kim McGrath
Executive Chairman
25 September 2012
Melbourne

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Oil Basins Limited
Level 4
100 Albert Road
SOUTH MELBOURNE VIC 3025

25 September 2012

Dear Board Members

Oil Basins Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Oil Basins Limited.

As lead audit partner for the audit of the financial statements of Oil Basins Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Paul Carr
Partner
Chartered Accountants

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the 'Board') of Oil Basins Limited (the 'Company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to manage and disclose those functions.	The Board is responsible for the overall corporate governance of the company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives. On appointment of a director, the company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Complies
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against performance of the Company as a whole.	Complies
1.3	Provide the information indicated in *Guide to reporting on Principle 1*.	A Board charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement. A performance evaluation process is included in the Board Charter, which has been disclosed on the company's website and is summarised in this Corporate Governance Statement. The Board will conduct a performance evaluation for senior executives at June 2012 in accordance with the process above.	Complies
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	Currently Oil Basins Limited has one independent director, Mr Nigel Harvey. Mr Nigel Harvey is an independent nonexecutive director. Mr Neil Doyle is an executive director. Mr Kim McGrath is an executive director.	While the Board recognises it is desirable for the majority of the Board to be independent directors, the Company's current size and focus dictate that the present form is the most effective mode of operation at the current time. The Board will consider the appointment of further independent directors should the Company's size and growth warrant this.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Principles and Recommendations		Compliance	Comply
2.2	The chair should be an independent director.	Mr Kim McGrath is the Chairman and is not an independent director.	While the Board recognises it is desirable for the chair to be an independent director, the Company's current size and focus dictate that this is the most effective mode of operation at the current time. The Board will consider the appointment of an independent chair should the Company's size and growth warrant this.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Kim McGrath is the chair and Mr Neil Doyle is the chief executive officer.	Complies
2.4	The Board should establish a nomination committee.	The company has established a Nomination Committee.	Complies
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The performance evaluation of Board members occurs by way of an informal review by the full Board (in the absence of the relevant Board member).	Complies
2.6	Provide the information indicated in the *Guide to reporting on Principle 2.*	This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement. Mr Nigel Harvey is an independent director of the Company. A director is considered independent when he substantially satisfies he test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the Company. Mr Nigel Harvey, non-executive director, was appointed to the Board in July 2009. Mr Neil Doyle, Executive Director and Chief Executive Officer, was appointed to the Board in May 2006. Mr Kim McGrath, Executive Chairman was appointed to the Board in May 2006. The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered relevant diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company. In accordance with the information suggested in *Guide to Reporting on Principle 2*, the Company has disclosed full details of its directors in the director's report attached to this Corporate Governance Statement. Other disclosure material on the Structure of the Board has been made available on the company's website.	Complies

Principles and Recommendations		Compliance	Comply
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code is available on the Company's website.	Complies
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction. The Board has prepared a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the Company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measurable diversity performance objectives for the Board, CEO and senior management.	Complies
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company has adopted a Diversity Policy and will report in each annual report the measurable objectives for achieving gender diversity set by the Board.	Complies
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The Board currently is comprised of three male directors, being the only Company employees, and there is one female in a senior management role being the Company Secretary, comprising 16.7% of the key management personnel.	Complies
3.5	Provide the information indicated in Guide to reporting on Principle 3.	This information is available on the Company's website.	Complies
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board has established an audit and risk committee which operates under an audit and risk committee charter to focus on issues relevant to the integrity of the company's financial reporting.	Complies

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Principles and Recommendations		Compliance	Comply
4.2	The audit committee should be structured so that it consists of only nonexecutive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Members of the audit and risk committee consist of the members of the Board. The chair Mr Nigel Harvey is a non-executive director and is not chair of the Board. The committee consists of one non-executive and two executive directors. The audit committee did not comply with Recommendation 4.2 in that the committee: • did not consist of only non-executive directors • did not consist of a majority of independent directors	While the Board recognises that it is desirable for the majority of the audit committee to be independent directors, the Company's current size and focus dictates that this is the most effective mode of operation at the current time. The Board will consider the appointment of further independent directors should the Company's size and growth warrant this.
4.3	The audit committee should have a formal charter.	The Board has adopted an audit and risk charter.	Complies
4.4	Provide the information indicated in *Guide to reporting on Principle 4*.	In accordance with the information suggested in *Guide to Reporting on Principle 4*, this has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement. The members of the audit committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution. The audit committee held two meetings during the period to the date of the directors' report and meets at least twice per annum. The audit and risk charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the company's website.	Complies
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.	Complies
5.2	Provide the information indicated in the *Guide to reporting on Principle 5*.	The company's continuous disclosure policy is available on the company's website.	Complies

Principles and Recommendations		Compliance	Comply
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The company has adopted a shareholder communications policy. The company uses its website (www.oilbasins.com.au), annual report, market announcements, media disclosures and webcasting to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the company's website.	Complies
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	The company's shareholder communications policy is available on the company's website.	Complies
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board. The audit and risk charter is available on the company's website and is summarised in this Corporate Governance Statement.	Complies
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the Company's activities. The Board informally reviews and requests management internal control.	Complies
7.3	The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies
7.4	Provide the information indicated in Guide to reporting on Principle 7.	The Board has adopted an audit and risk charter which includes a statement of the company's risk policies. This charter is available on the company's website and is summarised in this Corporate Governance Statement. The company has identified key risks within the business and has received a statement of assurance from the chief executive officer and chief financial officer.	Complies

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Principles and Recommendations		Compliance	Comply
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board has established a Nomination and Remuneration Committee and has adopted a remuneration charter.	Complies.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and nonexecutive director remuneration. No senior executive is involved directly in deciding their own remuneration.	Complies
8.3	Provide the information indicated in the Guide to reporting on Principle 8.	The Board has adopted a Remuneration Committee charter. The company does not have any schemes for retirement benefits other than superannuation for directors.	Complies

Oil Basins Limited's corporate governance practices were in place for the financial year ended 30 June 2012 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Oil Basins Limited, refer to our website: www.oilbasins.com.au

FINANCIAL STATEMENTS

TO 30 JUNE 2012

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue	5	66,295	42,094
Other income		2,405,495	-
Expenses			
Corporate expenses		(192,246)	(126,691)
Administration expenses		(320,107)	(234,265)
Employee benefits expense		(1,076,344)	(725,748)
Share based payments		-	(83,474)
Depreciation and amortisation expense	7	(3,646)	(647)
Exploration costs written off		(36,932)	-
provision for non-recoverability of loans		-	(814)
Profit/(loss) before income tax expense		842,515	(1,129,545)
Income tax expense	8	-	-
Profit/(loss) after income tax expense for the year attributable to the owners of Oil Basins Limited		842,515	(1,129,545)
Other comprehensive income			
Gain on the revaluation of available-for-sale financial assets, net of tax		14,999	-
Other comprehensive income for the year, net of tax		14,999	-
Total comprehensive income for the year attributable to the owners of Oil Basins Limited		857,514	(1,129,545)
		Cents	**Cents**
Basic earnings per share	32	0.259	(0.458)
Diluted earnings per share	32	0.185	(0.458)

The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Assets			
Current assets			
Cash and cash equivalents	9	4,248,055	263,733
Trade and other receivables	10	343,534	76,267
Other	11	6,999	4,500
Total current assets		4,598,588	344,500
Non-current assets			
Other financial assets	12	350,558	30,680
Property, plant and equipment	13	21,429	4,694
Petroleum exploration expenditure	14	7,851,007	6,548,752
Total non-current assets		8,222,994	6,584,126
Total assets		12,821,582	6,928,626
Liabilities			
Current liabilities			
Trade and other payables	15	588,057	181,094
Employee benefits	16	85,956	29,047
Total current liabilities		674,013	210,141
Non-current liabilities			
Employee benefits	17	8,395	2,418
Total non-current liabilities		8,395	2,418
Total liabilities		682,408	212,559
Net assets		12,139,174	6,716,067
Equity			
Issued capital	18	15,489,539	10,990,970
Reserves	19	485,223	403,200
Accumulated losses		(3,835,588)	(4,678,103)
Total equity		12,139,174	6,716,067

The above statement of financial position is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Contributed equity $	Reserves $	Accumulated losses $	Total equity $
Consolidated				
Balance at 1 July 2010	4,837,835	319,726	(3,548,558)	1,609,003
Loss after income tax expense for the year	-	-	(1,129,545)	(1,129,545)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,129,545)	(1,129,545)
Transactions with owners in their capacity as owners:				
Share-based payments	-	83,474	-	83,474
Issue of shares	6,591,030	-	-	6,591,030
Costs of capital raising	(437,895)	-	-	(437,895)
Balance at 30 June 2011	10,990,970	403,200	(4,678,103)	6,716,067

	Contributed equity $	Reserves $	Accumulated losses $	Total equity $
Consolidated				
Balance at 1 July 2011	10,990,970	403,200	(4,678,103)	6,716,067
Profit after income tax expense for the year	-	-	842,515	842,515
Other comprehensive income for the year, net of tax	-	14,999	-	14,999
Total comprehensive income for the year	-	14,999	842,515	857,514
Transactions with owners in their capacity as owners:				
Issue of shares	4,613,945	-	-	4,613,945
Transfer to contributed equity for conversion of options	63,000	(63,000)	-	-
Shares to be issued reserve	-	130,024	-	130,024
Costs of capital raising	(178,376)	-	-	(178,376)
Balance at 30 June 2012	15,489,539	485,223	(3,835,588)	12,139,174

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	2011 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,388,714)	(977,770)
Interest received		66,295	42,094
Net cash used in operating activities	30	(1,322,419)	(935,676)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(20,381)	(5,341)
Payments for exploration and evaluation	14	(2,433,592)	(5,137,214)
Payments for equity investments		(304,879)	(30,680)
Proceeds from sale of subsidiary		3,500,000	-
Net cash from/(used in) investing activities		741,148	(5,173,235)
Cash flows from financing activities			
Proceeds from issue of equity securities		4,613,945	6,591,030
Proceeds for shares to be issued		130,024	-
Payments for share issue costs		(178,376)	(437,895)
Net cash from financing activities		4,565,593	6,153,135
Net increase in cash and cash equivalents		3,984,322	44,224
Cash and cash equivalents at the beginning of the financial year		263,733	219,509
Cash and cash equivalents at the end of the financial year	9	4,248,055	263,733

The above statement of cash flows is to be read in conjunction with the notes to the financial statements.

Note 1: General information

The financial report covers Oil Basins Limited as a consolidated entity consisting of Oil Basins Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Oil Basins Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Oil Basins Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4
100 Albert Road
SOUTH MELBOURNE VIC 3205

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 25 September 2012. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 101 Presentation of Financial Statements
The amendments (part of AASB 2010-4 ' Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project) clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

AASB 7 Financial Instruments: Disclosure
The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project) clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

AASB 2010-5 Amendments to Australian Accounting Standards
The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)
AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in Note 25 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

AASB 2009-12 Amendments to Australian Accounting Standards
The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.

AASB 1054 Australian Additional Disclosures
AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purposes of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and align the wording used to that adopted in IFRSs.

The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

Note 2. Significant accounting policies (continued)

Going concern
The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. During the financial year, the consolidated entity derived a profit of $842,515 due to the successful farmout of 20% of its Backreef Area project for a consideration amount of $3,500,000.

Subsequent to the end of the financial year, the company announced that it has commenced planning for a drilling campaign at the company's Backreef Area drilling operations which has been estimated to have a dry hole cost of below $2,500,000.

Notwithstanding the above budgeted expenditure for the company during the upcoming financial year, the directors are confident that the company and consolidated entity will be able to continue as a going concern given the following:

(a) the company is in discussions with other interested parties to farmout some of its existing portfolio of tenements and investments.

(b) at the date of this report the company has available-for-sale assets valued at approximately $1,400,000. The investments can be realised in the event the company requires funds to meet its debts.

(c) during February 2012 the company raised $2,850,000 through the placement of 100,000,000 fully paid ordinary shares. The directors believe that they will be able to raise additional funds in future periods. This is based on the demonstrated ability of the company to raise funds in the past.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Oil Basins Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Oil Basins Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Sale of subsidiaries

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 2. Significant accounting policies (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 2. Significant accounting policies (continued)

Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' ('AFS') financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Petroleum exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets
Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provision for Restoration and Rehabilitation
A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable than an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include costs of removing facilities, abandoning sites/wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of the discounting on the provision is recognised as a finance cost rather than being capitalized into the cost of the related asset.

Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Long service leave
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 2. Significant accounting policies (continued)

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 2. Significant accounting policies (continued)

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Oil Basins Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Joint Ventures
Interests in jointly controlled assets in which the Group is a venturer (and so has joint control) are included in the financial statement by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Group's share of expenses and income incurred by or in respect of each joint venture.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase 1 of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013. These amendments make numerous amendments to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 January 2012 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale or transfer.

Note 2. Significant accounting policies (continued)

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011)
This revised standard is applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 July 2013 will require increased disclosures by the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments require grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20
This interpretation and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine. The adoption of the interpretation and the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Fair value and hierarchy of financial instruments
The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within Level 1: that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of deferred exploration expenditure
The Group's accounting policy for exploration expenditure results in some items capitalized for an area of interest where it is considered likely to be recoverable in future or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management is required to make certain estimates and assumptions as to future events and circumstances, which may change as new information becomes available. If a judgement is made that recovery of a capitalised expenditure is unlikely, the relevant amount will be written off to the income statement.

Tax losses
The Company has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

Long service leave provision
As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Rehabilitation provision
The consolidated entity's petroleum exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of projects estimates and discount rates could affect the carrying amount of this provision.

Note 4. Operating segments

The consolidated entity is organised into one segment: petroleum exploration and investment within Australia. The operating segment is based on the internal reports that are reviewed by the directors (who are identified as Chief Decision Makers) in assessing performance and allocation of resources.

Note 5. Revenue

	Consolidated 2012 $	2011 $
Other revenue		
Interest	66,295	42,094
Revenue	66,295	42,094

Note 6. Gain on sale of subsidiary

	Consolidated 2012 $	2011 $
Reconciliation of gain on sale of subsidiary		
Amount received as consideration	2,500,000	-
Option fee income	1,000,000	-
Net financial assets disposed of during the year	(1,094,505)	-
Gain on sale of subsidiary	2,405,495	-

During the year, the company entered into a heads of agreement with Green Rock Energy Limited (ASX: GRK) to farmout up to 20% interest in the Backreef Area, Canning Basin, Western Australia with an up-front option payment from GRK of $1,100,000 (inclusive of GST).

In May 2012 GRK exercised its option and acquired 20% interest in the Backreef Area for further consideration of $2,500,000. The company sold 100% of its interest in OBL Backreef No 5 Pty Ltd, as holder of the 20% interest in the Backreef Area, which amounted to an overall gain of $2,405,495.

Note 7. Expenses

	Consolidated 2012 $	2011 $
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Depreciation of non-current assets	3,646	647
Employment Benefits:		
Post employment benefit - Contribution plans	67,805	43,119
Other employee benefits	1,008,539	682,629
Total Employment Benefits	1,076,344	725,748
Share-based payments		
Equity settled share based payments	-	83,474

Note 8. Income tax expense

	Consolidated 2012 $	Consolidated 2011 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	842,515	(1,129,545)
Tax at the statutory tax rate of 30%	252,755	(338,864)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	-	25,042
Other temporary differences	-	383
Movements in provisions	18,648	14,400
Movements in accrued expenditure	13,000	9,483
	284,403	(289,556)
Current year temporary differences not recognised		
Capitalised deductible exploration expenditure	(390,677)	(1,541,164)
Deductible share issue costs	(49,715)	(58,837)
Accrued expenses	(107)	(107)
Benefit of income tax loss not recognised	156,096	1,889,664
Income tax expense	-	-

	Consolidated 2012 $	Consolidated 2011 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	3,219,142	3,063,046
Temporary differences	(2,580,044)	(2,171,192)
Total deferred tax assets not recognised	639,098	891,854

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:
i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.
ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2012	2011
	$	$
Cash at bank	4,248,055	263,733

Note 10. Current assets - trade and other receivables

	Consolidated	
	2012	2011
	$	$
Other receivables	217,851	-
GST receivable	125,683	76,267
	343,534	76,267

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

Note 11. Current assets - other

	Consolidated	
	2012	2011
	$	$
Prepayments	6,999	4,500

Note 12. Non-current assets - other financial assets

	Consolidated	
	2012	2011
	$	$
Available-for-sale investments (quoted) - at fair value	319,878	-
Available-for-sale investments (unquoted) - at cost	30,680	30,680
	350,558	30,680

Quoted shares noted above represent holdings in listed entities with a market price.

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2012 $	Consolidated 2011 $
Plant and equipment - at cost	27,693	7,312
Less: Accumulated depreciation	(6,264)	(2,618)
	21,429	4,694
	21,429	4,694

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & Equipment $	Total $
Consolidated		
Balance at 1 July 2010	5,341	5,341
Depreciation expense	(647)	(647)
Balance at 30 June 2011	4,694	4,694
Additions	20,381	20,381
Depreciation expense	(3,646)	(3,646)
Balance at 30 June 2012	21,429	21,429

Note 14. Non-current assets - Petroleum exploration expenditure

	Consolidated 2012 $	Consolidated 2011 $
Petroleum Exploration Expenditure	7,851,007	6,548,752

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Petroleum Exploration $	Total $
Consolidated		
Balance at 1 July 2010	1,411,538	1,411,538
Expenditure during the year	5,137,214	5,137,214
Balance at 30 June 2011	6,548,752	6,548,752
Expenditure during the year	2,433,592	2,433,592
Disposals	(1,094,405)	(1,094,405)
Write off of assets	(36,932)	(36,932)
Balance at 30 June 2012	7,851,007	7,851,007

Note 14. Non-current assets - Petroleum exploration expenditure (continued)

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

During the financial year the company sold its subsidiary, OBL Backreef No. 5 Pty Ltd to Green Rock Energy Limited (ASX: GRK) and all loans receivable were settled through the payment of $2,500,000.

Note 15. Current liabilities - trade and other payables

	Consolidated 2012 $	Consolidated 2011 $
Trade payables	446,663	69,775
Sundry payables and accrued expenses	101,944	50,110
Other payables	39,450	61,209
	588,057	181,094

Refer to note 21 for further information on financial instruments.

The average credit period on purchases is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 16. Current liabilities - employee benefits

	Consolidated 2012 $	Consolidated 2011 $
Annual leave	85,956	29,047

Note 17. Non-current liabilities - employee benefits

	Consolidated 2012 $	Consolidated 2011 $
Long service leave	8,395	2,418

Note 18. Equity - issued capital

	Consolidated 2012 Shares	Consolidated 2011 Shares	Consolidated 2012 $	Consolidated 2011 $
Ordinary shares - fully paid	485,514,599	298,555,206	15,489,539	10,990,970

Note 18. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2010	124,785,267		4,837,835
Exercise of options	30 July 2010	260,000	$0.015	3,900
Issue of shares	30 July 2010	6,500,000	$0.040	260,000
Exercise of options	27 August 2010	1,827,555	$0.015	27,413
Issue of shares - rights issue	29 September 2010	132,159,214	$0.040	5,286,369
Issue of shares - R3 acquisition	20 October 2010	2,000,000	$0.043	86,000
Issue of shares - Backreef	24 November 2010	2,000,000	$0.036	72,000
Issue of shares	27 January 2011	28,000,000	$0.030	840,000
Exercise of options	27 January 2011	523,170	$0.015	7,848
Exercise of options	20 June 2011	500,000	$0.015	7,500
Costs of capital raisings				(437,895)
Balance	30 June 2011	298,555,206		10,990,970
Issue of shares	15 August 2011	1,160,332	$0.030	34,810
Exercise of listed options (OBLOA)	15 August 2011	1,444,706	$0.015	21,670
Placement - share purchase plan	20 September 2011	44,161,000	$0.025	1,104,025
Exercise of listed options (OBLOA)	2 December 2011	536	$0.015	8
Share placement	7 February 2012	50,000,000	$0.025	1,250,000
Share placement	29 February 2012	50,000,000	$0.032	1,600,000
Exercise of listed options (OBLOA)	26 March 2012	8,019,572	$0.015	120,294
Exercise of listed options (OBLOA)	4 April 2012	1,309,932	$0.015	19,649
Exercise of listed options (OBLOA)	19 April 2012	1,000,000	$0.015	15,000
Exercise of listed options (OBLOA)	3 May 2012	3,627,812	$0.015	54,417
Exercise of listed options (OBLOA)	15 May 2012	1,575,000	$0.015	23,625
Exercise of listed options (OBLOA)	25 May 2012	115,000	$0.015	1,725
Exercise of listed options (OBLOA)	1 June 2012	1,420,134	$0.015	21,302
Exercise of listed options (OBLOA)	8 June 2012	10,211,914	$0.015	153,718
Exercise of listed options (OBLOA)	19 June 2012	733,090	$0.015	10,996
Exercise of listed options (OBLOA)	25 June 2012	8,728,463	$0.015	130,927
Exercise of listed options (OBLOA)	28 June 2012	3,451,902	$0.000	51,779
Transfer from options reserve following conversion of options		-		63,000
Less cost of capital raising				(178,376)
Balance	30 June 2012	485,514,599		15,489,539

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 18. Equity - issued capital (continued)

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 19. Equity - reserves

	Consolidated	
	2012	**2011**
	$	**$**
Available-for-sale reserve	14,999	-
Options reserve	340,200	403,200
Shares to be issued reserve	130,024	-
	485,223	403,200

	Shares to be issued $	Available for sale reserve $	Options Reserve $	Total $
Consolidated				
Balance at 1 July 2010	-	-	319,726	319,726
Options vested during the period	-	-	83,474	83,474
Balance at 30 June 2011	-	-	403,200	403,200
Transfer to issued capital following exercise of options	-	-	(63,000)	(63,000)
Revaluation of shares	-	14,999	-	14,999
Funds received in advance of	130,024		-	130,024
Balance at 30 June 2012	130,024	14,999	340,200	485,223

Available-for-sale reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Options reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Shares to be issued reserve
This reserve recognises amounts received in respect of shares to be issued subsequent to the end of the financial year.

Note 20. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 21. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk to determine market risk.

Risk management is carried out by senior management and the Board of Directors. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Management and directors identify and evaluate risks within the consolidated entity's operating units. Finance reports are prepared for the Board of Directors on a monthly basis.

Market Risk

Price risk
The consolidated entity is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analysis below has been determined on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher/lower:
- profit for the year ended 30 June 2012 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and

- other comprehensive income for the year ended 30 June 2012 would increase/decrease as noted below:

	Average price increase			Average price decrease		
Consolidated - 2012	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Available-for-sale investments (quoted) - at fair value	10%	-	31,988	10%	-	(31,988)

The consolidated entity did not hold any available-for-sale investments as at 30 June 2011.

Note 21. Financial instruments (continued)

Interest rate risk
As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

	2012		2011	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Consolidated				
Cash at bank	4.36	4,248,055	4.75	263,733
Net exposure to cash flow interest rate risk		4,248,055		263,733

Below is a sensitivity analysis of interest rates at a rate of 131 basis points (2011: 143) on cash assets for the 2012 and 2011 financial years. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

	Basis points increase			Basis points decrease		
Consolidated - 2012	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash at bank	131	55,649	55,649	131	(55,649)	(55,649)

	Basis points increase			Basis points decrease		
Consolidated - 2011	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash at bank	143	3,771	3,771	143	(3,771)	(3,771)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity is not exposed to any material credit risks.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 21. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2012	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	486,113	-	-	-	486,113
Other payables		101,944	-	-	-	101,944
Total non-derivatives		588,057	-	-	-	588,057

Consolidated - 2011	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	69,755	-	-	-	69,755
Other payables	-	111,319	-	-	-	111,319
Total non-derivatives		181,074	-	-	-	181,074

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2012	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares	319,878	-	30,680	350,558
Total assets	319,878	-	30,680	350,558

Consolidated - 2011	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares	-	-	30,680	30,680
Total assets	-	-	30,680	30,680

There were no transfers between levels during the financial year.

Note 21. Financial instruments (continued)

Movements in level 3 financial instruments
Movements in level 3 financial instruments during the current and previous financial year are set out below:

	Other financial assets $	Total $
Consolidated		
Balance at 1 July 2010	-	-
Purchases	30,680	30,680
Balance at 30 June 2011	30,680	30,680
Balance at 30 June 2012	30,680	30,680

Changing one or more inputs would not significantly change the fair value of level 3 financial instruments.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 22. Key management personnel disclosures

Directors
The following persons were directors of Oil Basins Limited during the financial year:

Mr K W McGrath (Executive Chairman)
Mr N F Doyle (Executive Director and CEO)
Mr N Harvey (Non-Executive Director)

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Ms M J Leydin (Company Secretary)
Mr G Geary (Geological Consultant)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2012 $	**2011 $**
Short-term employee benefits	930,654	672,460
Post-employment benefits	67,860	45,989
Long-term benefits	5,977	2,418
Share-based payments	-	83,474
	1,004,491	804,341

Note 22. Key management personnel disclosures (continued)

Shareholding
The relevant interest held in shares in the parent entity during the financial year by each director and other members of key management personnel of the consolidated entity, is set out below:

2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr K McGrath	8,355,294	580,166	6,064,540	-	15,000,000
Mr N Doyle	7,000,000	580,166	2,419,834	-	10,000,000
Mr N Harvey	1,000,000	-	-	-	1,000,000
	16,355,294	1,160,332	8,484,374	-	26,000,000

2011	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr K McGrath	4,524,119	-	3,831,175	-	8,355,294
Mr N Doyle	6,500,000	-	500,000	-	7,000,000
Mr N Harvey	745,000	-	255,000	-	1,000,000
	11,769,119	-	4,586,175	-	16,355,294

Option holding
The relevant interest held in options over ordinary shares in the parent entity during the financial year by each director and other members of key management personnel of the consolidated entity, is set out below:

2012	Balance at the start of the year	Granted	Exercised	Other	Balance at the end of the year
Options over ordinary shares					
Mr K McGrath*	14,444,706	-	(4,444,706)	-	10,000,000
Mr N Doyle*	14,000,000	-	(1,500,000)	(2,500,000)	10,000,000
Mr N Harvey	10,000,000	-	-	-	10,000,000
Ms M Leydin	2,550,000	-	-	(2,550,000)	-
Mr G Geary	2,500,000	-	-	(500,000)	2,000,000
	43,494,706	-	(5,944,706)	(5,550,000)	32,000,000

* Conversion of OBLOA options during the year.

2012	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
Options over ordinary shares			
Mr K McGrath*	10,000,000	-	10,000,000
Mr N Doyle*	10,000,000	-	10,000,000
Mr N Harvey	10,000,000	-	10,000,000
Mr G Geary	2,000,000	-	2,000,000
	32,000,000	-	32,000,000

All shares and options noted about are held either personally or by relevant interests of key management personnel.

Note 22. Key management personnel disclosures (continued)

2011	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr K McGrath	14,444,706	-	-	-	14,444,706
Mr N Doyle	14,500,000	-	(500,000)	-	14,000,000
Mr N Harvey	10,000,000	-	-	-	10,000,000
Ms M J Leydin	4,500,000	-	-	(1,950,000)	2,550,000
Mr G Geary	2,500,000	-	-	-	2,500,000
	45,944,706	-	(500,000)	(1,950,000)	43,494,706

2011	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
Options over ordinary shares			
Mr K McGrath	9,444,706	-	9,444,706
Mr N Doyle	9,500,000	-	9,500,000
Mr N Harvey	5,000,000	-	5,000,000
Ms M J Leydin	2,500,000	-	2,500,000
Mr G Geary	1,500,000	-	1,500,000
	27,944,706	-	27,944,706

Related party transactions
Related party transactions are set out in note 25.

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	Consolidated	
	2012 $	2011 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	32,650	28,425

Note 24. Commitments

	Consolidated	
	2012 $	2011 $
Petroleum exploration commitments		
Committed at the reporting date but not recognised as liabilities, and payable:		
Within one year	2,750,000	50,000
One to five years	1,500,000	300,000
	4,250,000	350,000

Note 24. Commitments (continued)

In the East Gippsland Offshore Permits Vic/P41 (OBL 12.5%) and Vic/P66 (OBL 17%) only minimum exploration commitments are anticipated until mid to late 2013 when a 3D seismic survey is expected straddling both permits (company share circa $1.0M). In the company's wholly owned Retention Lease R3/R1, Carnarvon Basin expenditures are $200,000 per annum including the company's geological and geophysical and administration costs of around $40,000 per annum.

The company is a party to a number of agreements that at its discretion it can participate in.

During the financial year the company farmed out 20% of the Backreef-1 Production Test to Green Rock Energy Limited (ASX: GRK) for a total consideration of $3.6M. The company is progressing the planning and budgeting of the second and final Backreef Area farmin commitment well, East Blina-1 (circa $2.5M dry hole basis) to be drilled by 31 October 2012.

Note 25. Related party transactions

Parent entity
Oil Basins Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 27.

Key management personnel
Disclosures relating to key management personnel are set out in note 22 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2012	**2011**
	$	**$**
Payment for other expenses:		
Placement fee paid to Patersons Securities Limited (i)	-	331,657

(i) Patersons Securities Limited, an associated entity of Mr Neil Doyle, received a placement fee in relation to the capital-raising during the previous financial year. Mr Doyle received no direct benefit from this transaction. Mr Doyle resigned from his employed position at Patersons Securities Limited during the previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent 2012 $	Parent 2011 $
Profit/(loss) after income tax	836,754	(1,126,975)
Total comprehensive income	836,754	(1,126,975)

Statement of financial position

	Parent 2012 $	Parent 2011 $
Total current assets	4,598,334	344,149
Total assets	12,821,582	6,934,390
Total current liabilities	674,013	210,141
Total liabilities	682,408	212,559
Equity		
Issued capital	15,489,539	10,990,969
Available-for-sale reserve	14,999	-
Options reserve	340,200	403,200
Shares to be issued reserve	130,024	-
Accumulated losses	(3,835,588)	(4,672,338)
Total equity	12,139,174	6,721,831

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
Oil Basins Limited has provided a deed of cross guarantee under Class Order 98/1418 made by ASIC to Canning Basin Oil Limited as per the signed deed between the two entities dated 26 February 2010.

The consolidated disclosures made in relation to guarantees, contingent liabilities and capital commitments all relate to the parent, and therefore it is not necessary to disclose them separately.

Contingent liabilities
The parent entity had no contingent liabilities at 30 June 2012 and 30 June 2011.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at 30 June 2012 and 30 June 2011.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.

Note 27. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Equity holding	
Name of entity	Country of incorporation	2012 %	2011 %
OBL Backreef No.5 Pty Ltd **	Australia	-	100.00
OBL Backreef No.10 Pty Ltd	Australia	100.00	100.00
Canning Basin Oil Limited (formerly OBL Backreef No. 15 Pty Ltd)	Australia	100.00	100.00
Wantok Oil Limited	Papua New Guinea	100.00	100.00
Oil Basins Royalties Pty Ltd*	Australia	100.00	100.00

* This subsidiary was incorporated on 28 April 2011 and has not traded.
** Sold during the finacial year.

Note 28. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Oil Basins Limited
Canning Basin Oil Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Oil Basins Limited, they also represent the 'Extended Closed Group'.

Note 28. Deed of cross guarantee (continued)

Set out below is a consolidated statement of comprehensive income and statement of financial position of the 'Closed Group'.

Statement of comprehensive income	**2012 $**	**2011 $**
Revenue	66,295	42,094
Other income	2,405,495	-
Corporate expenses	(192,246)	(126,691)
Administration expenses	(320,107)	(235,080)
Employee benefits expense	(1,076,344)	(725,747)
Share based payments	-	(83,474)
Depreciation and amortisation expense	(3,646)	(647)
Exploration costs written off	(36,932)	-
Profit/(loss) before income tax expense	842,515	(1,129,545)
Income tax expense	-	-
Profit/(loss) after income tax expense	842,515	(1,129,545)
Other comprehensive income		
Gain on the revaluation of available-for-sale financial assets, net of tax	14,999	-
Other comprehensive income for the year, net of tax	14,999	-
Total comprehensive income for the year	857,514	(1,129,545)

Note 28. Deed of cross guarantee (continued)

Statement of financial position	2012 $	2011 $
Current assets		
Cash and cash equivalents	4,248,137	263,733
Trade and other receivables	343,534	76,267
Other	6,999	4,500
	4,598,670	344,500
Non-current assets		
Other financial assets	2,486,559	911,872
Property, plant and equipment	21,428	4,694
Petroleum exploration expenditure	5,719,708	5,672,343
	8,227,695	6,588,909
Total assets	12,826,365	6,933,409
Current liabilities		
Trade and other payables	588,056	181,094
Employee benefits	85,956	29,047
	674,012	210,141
Non-current liabilities		
Employee benefits	8,395	2,418
	8,395	2,418
Total liabilities	682,407	212,559
Net assets	12,143,958	6,720,850
Equity		
Issued capital	15,619,563	10,990,969
Reserves	355,199	403,200
Accumulated losses	(3,830,804)	(4,673,319)
Total equity	12,143,958	6,720,850

Note 29. Events after the reporting period

On 2 July 2012, the company changed its registered office and principal place of business to the below address:

Level 4
100 Albert Road
South Melbourne VIC 3025

On 2 August 2012, the company announced that it had reached an agreement with associates of Mr E.G. Albers (Albers Group) to acquire the Albers Group entire shareholding position of 57,757,899 fully paid shares in Bass Strait Oil Company Ltd (ASX Code: BAS) for a consideration of $250,000 plus the issue of 38,505,266 fully paid OBL shares. The company issued the consideration shares to the Albers Group on 17 August 2012. The acquisition of these shares resulted in the Company becoming a substantial shareholder of BAS with a consolidated holding with associates of 19.9%, which after a BAS placement and rights issue is now 17.4%.

On 3 September 2012, the company announced that it had commenced legal proceedings, as largest shareholder in Bass Strait Oil Company Ltd (ASX Code: BAS) - and in the interests of good governance, proper authority and rightful action at BAS - to determine whether BAS has duly conducted the placement and rights issue with the proper authority under its Constitution and in accordance with the ASX Listing Rules.

On 18 September 2012, the company announced that it had, as designated Backreef Area JV Operator, significantly advanced its preparations for the proposed 2012 Backreef Area drilling operations, whereby the following had been completed:

- approved an indicative budget for the proposed drilling East Blina-1;
- lodged a draft bridging Environment Management Plan with the DMP;
- lodged a Preliminary Drilling Program using Dynamic Drilling Rig#17 with the DMP; and
- executed an agreement with Dynamic Drilling for the provision of its Dynamic Drilling Rig#17.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 30. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated	
	2012	2011
	$	$
Profit/(loss) after income tax expense for the year	842,515	(1,129,545)
Adjustments for:		
Depreciation and amortisation	3,646	647
Net gain on disposal of non-current assets	(2,405,495)	-
Share-based payments	-	83,474
Exploration costs written off	36,932	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	19,074	(73,598)
Increase in prepayments	(2,499)	-
Increase in trade and other payables	120,522	151,881
Increase in employee benefits	62,886	31,465
Net cash used in operating activities	(1,322,419)	(935,676)

Note 31. Non-cash investing and financing activities

On 20 October 2010 the consolidated entity issued 2,000,000 ordinary shares to Tap Oil Limited as consideration for the further acquisition of the remaining 75% interest in Retention Lease R3 that Oil Basins Limited did not own along with a cash payment of $300,000. The shares were issued at an issue price of $0.04 (4 cents) per share.

On 24 November 2010 the consolidated entity issued 2,000,000 ordinary shares to Backreef Oil Pty Limited (BOPL) in return for its agreement that it had no further beneficial interest in the Backreef Area and that Oil Basins Limited and its subsidiaries would hold an aggregate 100% beneficial interest in the Backreef Area, Canning Basin, Western Australia following the drilling of the Backreef-1 well. The shares were issued at an issue price of $0.04 (4 cents) per share.

Note 32. Earnings per share

	Consolidated	
	2012	**2011**
	$	**$**
Profit/(loss) after income tax attributable to the owners of Oil Basins Limited	842,515	(1,129,545)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	325,134,074	246,365,684
Adjustments for calculation of diluted earnings per share:		
Conversion of listed options	130,013,159	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	455,147,233	246,365,684
	Cents	**Cents**
Basic earnings per share	0.259	(0.458)
Diluted earnings per share	0.185	(0.458)

Diluted Earnings Per Share

In prior year, the options held by option holders were not included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they did not meet the requirements for inclusion is AASB 133 "Earnings per Share". The options were non-dilutive as the consolidated entity generated a loss during the financial year.

Note 33. Share-based payments

Set out below are summaries of options granted in previous financial years:

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
25/11/09	30/06/2014	$0.040	18,000,000	-	-	-	18,000,000
25/11/09	30/06/2014	$0.040	18,000,000	-	-	-	18,000,000
			36,000,000	-	-	-	36,000,000

2011

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
25/11/09	30/06/2014	$0.040	18,000,000	-	-	-	18,000,000
25/11/09	30/06/2014	$0.040	18,000,000	-	-	-	18,000,000
			36,000,000	-	-	-	36,000,000

DIRECTORS' DECLARATION

Oil Basins Limited

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Kim McGrath

Executive Chairman

25 September 2012

Melbourne

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Oil Basins Limited

Report on the Financial Report

We have audited the accompanying financial report of Oil Basins Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 36 to 74.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Oil Basins Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Oil Basins Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 25 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Oil Basins Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Paul Carr
Partner
Chartered Accountants
Melbourne, 25 September 2012

Shareholder Information

The shareholder information set out below was applicable as at 19 September 2012.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares (OBL)	Number of holders of options over ordinary shares (OBLOB)
1 to 1,000	265	18
1,001 to 5,000	138	33
5,001 to 10,000	153	19
10,001 to 100,000	967	89
100,001 and over	736	81
	2,259	240
Holding less than a marketable parcel	655	103

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Whittingham Securities Pty Limited	18,500,000	3.38
Mr Colin R Searl & Mrs Cynda Searl	15,400,000	2.81
Great Australia Corporation Pty Ltd	13,407,669	2.45
Mr Dragoslav Jevtic & Mrs Nicole Jevtic	11,600,000	2.12
Cue Petroleum Pty Ltd	10,158,279	1.86
Delta Corporate Finance Pty Ltd	6,173,825	1.13
RTSI Holdings Pty Limited	6,000,000	1.10
Motta Property Investments Pty Ltd	5,951,256	1.09
Uniteam Marketing Limited	5,601,009	1.02
Mr Neil F Doyle + Ms Lisa Materano <Intrepid Super A/C>	5,400,554	0.99
BMBH Pty Ltd <BM Bulk Haulage PL S/F A/C>	5,000,000	0.91
Mr Stephen Gamble	4,510,000	0.82
TT Nicholls Pty Ltd <Superannuation A/C>	4,100,000	0.75
UBS Wealth Management Australia Nominees Pty Ltd	4,002,876	0.73
45 South Nominees Pty Ltd <45 South Investment A/C>	4,000,000	0.73
Mr Stephen Gamble + Mr Hasan Ramadan + Mr Alan Moore <Gamble Superannuation A/C>	4,000,000	0.73
Golden Ice Pty Ltd <Red Ice A/C>	4,000,000	0.73
Mrs Vanessa Hickey	4,000,000	0.73
Lanbell Pty Ltd	4,000,000	0.73
Motta Property Investments Pty Ltd	4,000,000	0.73
	139,805,468	25.54

	Options over ordinary shares (OBLOB) Number held	% of total options issued
Broadwood Investments Limited	10,000,000	14.48
Mr N F Doyle + Ms Lisa Materano <Intrepid Pension Fund A/C>	8,000,000	11.59
H & M Investments Pty Ltd <The Bronte Fund A/C>	7,500,000	10.86
H & M Investments Pty Ltd <Harvey Marshall A/C>	2,500,000	3.62
Mr Brendon G Moffatt + Mrs Angelina Moffatt	2,118,750	3.07
Mr N F Doyle + Ms Lisa Materano <Intrepid Super Fund-PAC A/C>	2,000,000	2.90
Focus on Australia Pty Ltd	2,000,000	2.90
Mr Jaymon B Crabb	1,861,491	2.70
Drill Holdings Pty Ltd <Sam Miguel Super Fund A/C>	1,750,000	2.53
AJL Trading Co Pty Ltd	1,663,000	2.41
McNally Clan Investments	1,490,686	2.16
ACEC Superannuation Fund Pty Ltd <ACEC Super Fund A/C>	1,000,000	1.45
Mr Brett R Meads	1,000,000	1.45
Mr Brian Doyle + Mrs Susan Doyle <The Doyle Super Fund A/C>	810,000	1.17
Mr Anthony Kastropil <TK Superannuation Fund A/C>	805,436	1.17
Mr Grant R Dinse	744,430	1.08
Mr Fang H Ding	663,373	0.96
Mrs Jill Bunting	655,000	0.95
Firefish Investments Pty Ltd <Super Fund A/C>	650,000	0.94
Mr Murray Harris	643,046	0.93
	47,855,212	69.32

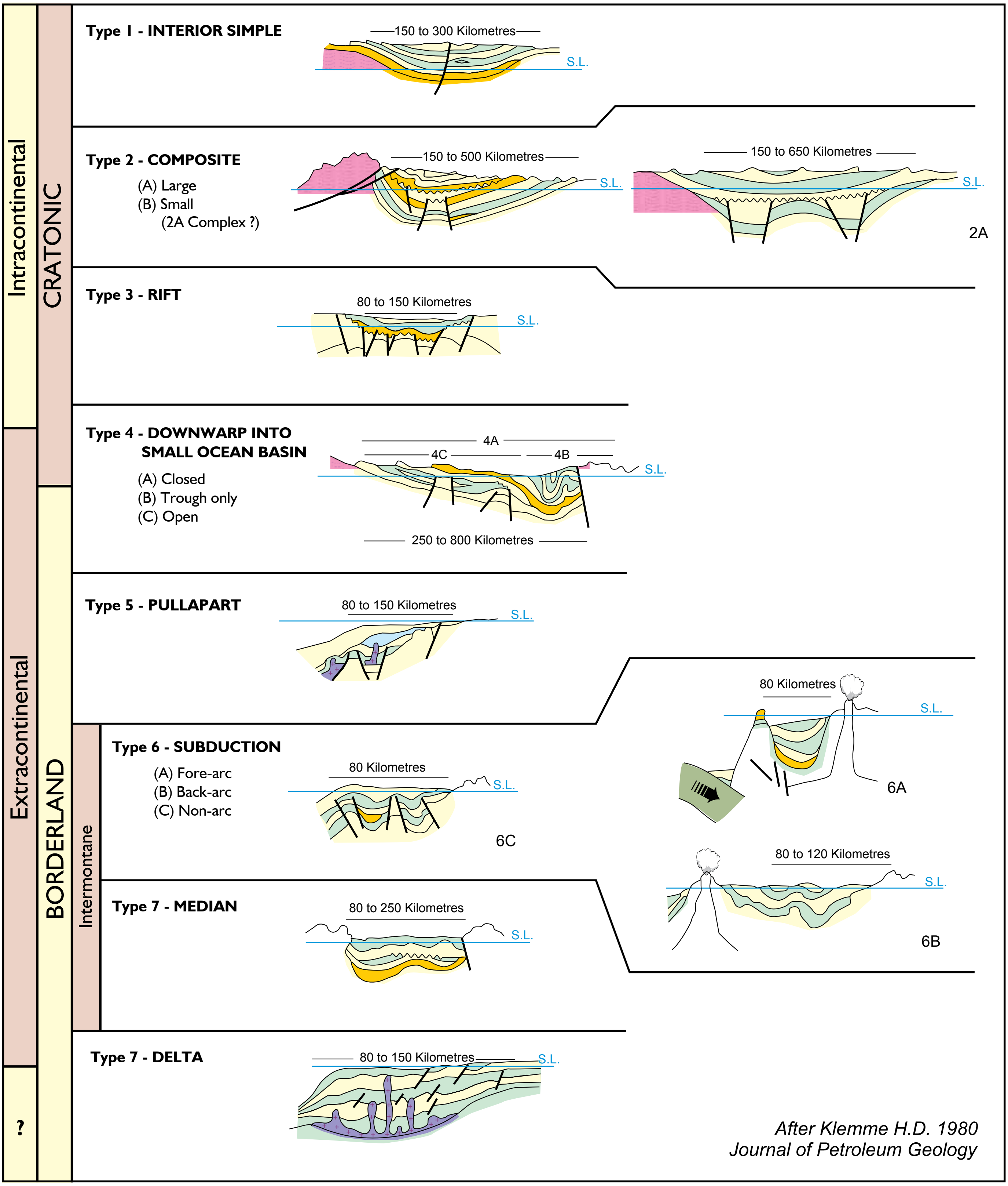
Unquoted equity securities
There are no unquoted equity securities.

Substantial holders
On 3 August 2012 the company received a notice of initial substantial shareholder form from the Albers Group notifying the company of their consolidated substantial holding of 7.03%.

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.



Klemme, H.D. (1980) Petroleum Basins - Classification and Characteristics, Journal of Petroleum Geology 3 (2): 187-207
Front cover - depicts a Type 6 Subduction