



OIL BASINS LIMITED

ABN 56 006 024 764

20 December 2006

Company Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
Sydney NSW 2000

Dear Sirs

OIL BASINS EXTENDS OPTION TO ACQUIRE AN ADDITIONAL 15% INTEREST IN CANNING BASIN - BLINA BACK REEF PLAY JOINT VENTURE AREA

(a) Canning Basin - Blina Back Reef Play Joint Venture Area

The Blina Back Reef Play Joint Venture Area (Figures 1 & 2), which covers some 354 square kilometers, and is contained within contiguous segments of Production Licence L6 and Exploration Permits EP 129, Parts R2 & R3. This acreage is situated to the northeast of and close to the Blina, Sundown and West Terrace oilfields. Oil Basins Limited (**ASX code OBL**) via its wholly owned subsidiary **Oil Basin Expro Pty Ltd** presently holds a 35% net interest in potentially a 270 mmbbl stratigraphic oil trap - the Backreef prospect – representing a net upside circa 94 mmbbls. The Back Reef Play prospect is situated within existing Production Licence L6 – which was recently renewed on 19 May 2006 for 21 years and nearby the under-utilised existing Blina Oil Hub crude pipeline, pumping and transport infrastructure.

In addition, the Company holds a 15% option from a joint venture partner Backreef Oil Limited, the extension of which on favourable terms, is the subject of this ASX announcement.

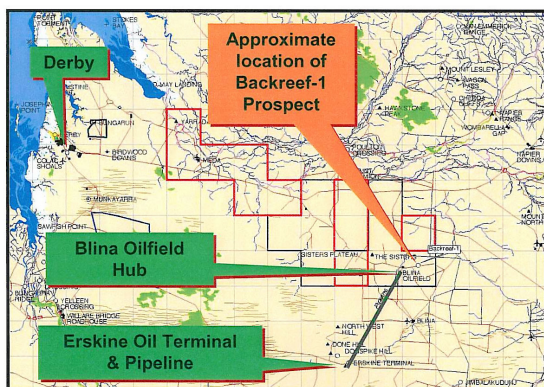


Figure 1
Location of Canning Basin Interests

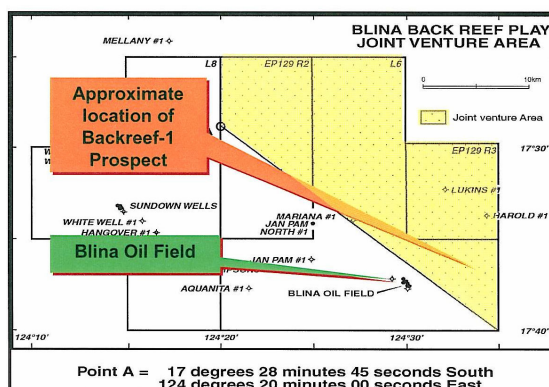


Figure 2
Blina Back Reef Play Joint Venture Area

(b) Blina Back Reef Play Joint Venture Area – Pending Ownership Changes

On 16 October 2006, OBL advised the ASX of the following:

- Toronto Listed Golden Dynasty Resources Ltd via its wholly owned subsidiary Terratek Drilling Tools Pty Ltd and Backreef Oil Limited had executed and finalised the farm-in agreement and the subsequent farmout of Backreef Oil Limited's 35% interest to Oil Basins Limited's wholly owned subsidiary Oil Basins Expro Pty Ltd,
- Backreef Oil Limited and Oil Basins Limited had executed a formal Option Agreement whereby the Company or its nominated subsidiary can acquire a further 15% of the Blina Back Reef Play Joint Venture Area on identical pro-rata terms to the earlier agreement executed on 29 May 2006,
- The Option agreement permits the Company to have the exclusive right but not the obligation to acquire a further 15% interest from Back Reef Oil Ltd and upon exercise will obligate the Company to fund a further \$450,000 to the drilling of Back Reef Play prospect, and
- The Option is open until 31 December 2006 and can be extended at the Company's sole discretion to 31 March 2007.

On 6 December 2006, Arc Energy Limited (**ASX code ARQ**) advised the ASX of the following:

- It had entered into an agreement with Golden Dynasty Resources Ltd to acquire its wholly owned subsidiary Terratek Drilling Tools Pty Ltd (**Terratek**) for \$2.8 million and a 2% well head royalty,
- Terratek is the owner of certain assets and interests, but not limited to Canning Basin Licences and Permits EP123, L6, L8, PL7 and the interests known as the Blina Back Reef Play Joint Venture contained within L6 and EP129,
- In addition ARQ will purchase a 10% participating interest in the 7/05-6 Application for Exploration Permit and has also granted Golden Dynasty Resources Ltd, options in relation to participation in specific wells in the area including the Blina Back Reef Play Joint Venture area for a 10% interest and in certain other wells which are currently under negotiation with prospective farminees, and
- The ARQ purchase is conditional on a number of matters including completion of technical, legal, tax and commercial due diligence by ARQ.

The current Blina Back Reef Play Joint Venture participants are as follows:

Terratek Drilling Tools Pty Ltd* (Operator)	30%
Backreef Oil Ltd	35% potentially <u>reducing to 20%</u>
Oil Basins Limited (held via Oil Basins Expro Pty Ltd)	35% with potential to <u>increase to 50%</u>

**** Terratek is presently 100% owned by Golden Dynasty Resources Ltd, but is in the process of being acquired by Arc Energy Limited – refer to ARQ's complete announcement to the ASX dated 6 December 2006 – the relevant commercial points of which are summarised above.***

(c) Execution of Option Agreement with Backreef Oil for a further 15% interest

As permitted in our Option Agreement with Back Reef Oil Limited, we wish to now advise that today we have extended the Option to 31 March 2007. The total cost of the both the initial option and its extension was \$15,000.

We regard the proposed acquisition of Terratek by ARQ as a significant and positive development and, subject to the completion of the Sale and Purchase Agreement with Golden Dynasty Resources Ltd, we now look forward to working closely with them as Operator of the Blina Back Reef Play Joint Venture area and the possible use of their contracted rig in the drilling of Backreef-1.