

OIL BASINS LIMITED
ABN 56 006 024 764

Half-Year Report
for the half-year ended 31 December 2009

OIL BASINS LIMITED
ABN 56 006 024 764

CORPORATE DIRECTORY

Board of Directors

Kim W McGrath (Chairman and Non-Executive Director)
Neil F Doyle (Non-Executive Director)
Nigel H Harvey (Non-Executive Director)

Company Secretary

Melanie J Leydin

Registered Office

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ST KILDA VIC 3182
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Web: www.oilbasins.com.au

Place of Business

Suite 304, 22 St Kilda Road
ST KILDA VIC 3182

Auditor

Deloitte Touche Tohmatsu
Chartered Accountants
550 Bourke Street
MELBOURNE VIC 3000

Share Registry

Computershare Investor Services Pty Ltd
452 Johnson Street
ABBOTTSFORD VIC 3067
Telephone: (03) 9415 5000

Stock Exchange Listing

Home Exchange is Melbourne
ASX Code Shares: OBL
ASX Code Options: OBLO

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FORWARD LOOKING STATEMENTS

This Half-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.

DIRECTORS' REPORT

The Directors of Oil Basins Limited submit herewith the financial report of Oil Basins Limited and its subsidiaries (the group) for the half-year ended 31 December 2009. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of the Company's Directors in office during or since the end of the half-year are:

Name

Mr Kim W McGrath
Mr Neil F Doyle
Mr Nigel H Harvey

RESULTS OF OPERATIONS

The consolidated net loss after income tax for the half-year was \$378,579 (2008: loss of \$426,923).

Cash reserves at the end of December 2009 were \$558,642 with no borrowings.

HIGHLIGHTS FOR THE HALF YEAR

- The Designated Authority approved the Vic/P41 Year 4 well commitment, previously due to be drilled by 10 September, 2010 has now been deferred by a full year until 10 September 2011.
- Initiated an assessment of the coal seam gas (**CSG**) potential of its 50% owned, large and potentially strategically situated onshore Canning Basin permit EP5/07-8. This is possibly a first such assessment conducted of the shallow thermal coal measures situated within this portion of Fitzroy Trough. Preliminary results are expected in March/April 2010.
- Successfully raised gross \$400,000 (before expenses of the issue) via a Placement of 20.0 million new OBL ordinary shares issued at a price of 2 cents per share, with a free one (1) for two (2) attaching ASX listed OBLOA option (exercisable at 1.5 cents on or before 30 June 2012).
- This capital raising completed under the expanded 35.0 million Placement capacity approved by OBL Shareholders at the Annual General Meeting held on 25 November, 2009, was effectively completed on 31 December 2009, was made to Exempt and sophisticated investors, compliant under s708 Corporations Law and was supported by clients of four brokers.
- Late in December, OBL successfully re-negotiated extensions of the earlier highly conditional back-to-back Farmin Option Heads of Agreements with Operator Backreef Oil Limited with respect to two Canning Basin permits (*subject to the usual stakeholder and regulatory approvals*). In the case of Backreef Area, the extension is effectively until funding of Backreef-1 is finalised – OBL Group Rights are now effectively 90% over the Backreef Area.
- OBL remains a low overhead oil and gas explorer and with end of Quarter net cash of circa \$0.48 million, available working capital is deemed by Directors to be adequate to fund the Company's ongoing 2010 calendar year actual working capital commitments and permit the Company to pursue additional future growth and attractive investment opportunities.

DIRECTORS' REPORT (CONT'D)

REVIEW OF OPERATIONS

OBL holds rights to or interests in a portfolio which includes three (3) offshore and three (3) onshore petroleum exploration permits in Australia (**Figure 1**), as follows:

- 12.5% Rights to Vic/P41 situated in offshore Gippsland Basin,
- 17% interest in Vic/P66 situated in offshore Gippsland Basin,
- 80% Rights to Backreef Area, onshore Canning Basin,
- 20% Rights to DR9 situated in onshore Canning Basin,
- 50% interest in EP5/07-8 situated in onshore Canning Basin (exploration assessment activities recently expanded to cover both petroleum and coal seam gas / unconventional gas prospectivity), and
- 25% interest in R3 situated in offshore Carnarvon Basin.

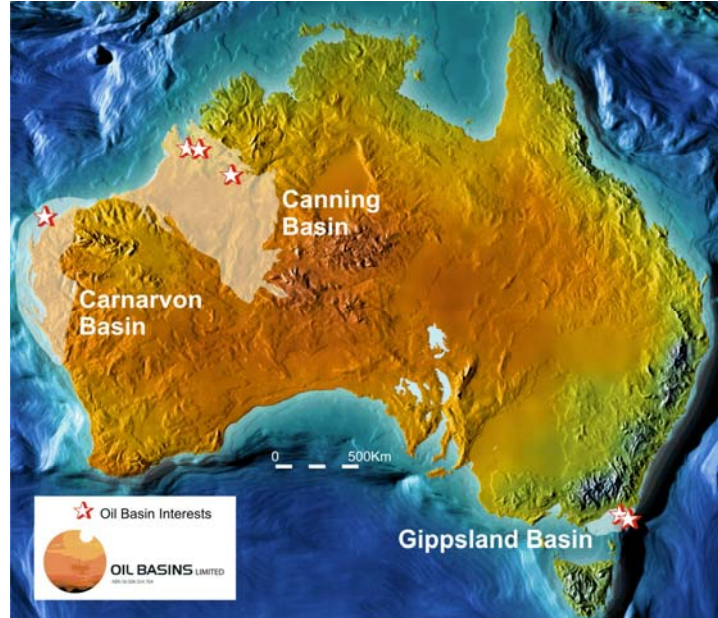


Figure 1
Oil Basins Exploration Interests

A. EXPLORATION ACTIVITIES

GIPPSLAND BASIN – VIC/P41

Location – Bass Strait (refer to **Figure 2**)

Exploration permit Vic/P41 is located on the north eastern margin of the offshore Gippsland Basin, in south east Australia's Bass Strait. The permit covers an area of some 1,079 km², in water depths of 120 - 1,500m.

The Gippsland is a proven prolific basin. It is Australia's premier crude oil province as well as a major gas producer with initial proven reserves of circa 4.2 billion barrels of crude/condensate, 720 MMbbls LPG and 11.2Tcf natural gas. Estimated remaining reserves were about 270 MMbbls crude/condensate, 165 MMbbls LPG and 4.2 Tcf gas as reported end 2007. The Operator BAS has recently quoted estimated "yet to find" resources in the basin are substantial (referenced to the United States Geological Survey P50 estimate being 600 million barrels of liquids and 5 Tcf of gas).

As summarised in the previous OBL September Quarterly Report overall Vic/P41 prospect volume potential is high (**Figure 3**) based upon Operator Farmout Flyer data. Projection of the lowest closing contour from the Kipper field suggests that Kipling and Benchley may form a single prospect of approximately 180 km² within the Vic/P41 permit boundary. Kipper, Kipling and Benchley exhibit similarly anomalous AVO data. Based on the Kipper analogue (gas with an oil rim), the AVO response can be interpreted as crestal gas caps at Kipling and Benchley with the combined downdip oil potential being estimated at about 500 MMbbls recoverable. The Kipling and Benchley gas potential is also very substantial being estimated at 3+Tcf recoverable.

The Oscar prospects offer well defined fault traps with good access to modelled oil-mature kitchens. Seismic anomalies indicative of hydrocarbons are not present nor expected given the Basker/Manta/Gummy analogues. Potential volumes are attractive as exemplified by Oscar East with circa 10 km² closure and estimated 130 MMbbls oil in place.

DIRECTORS' REPORT (CONT'D)

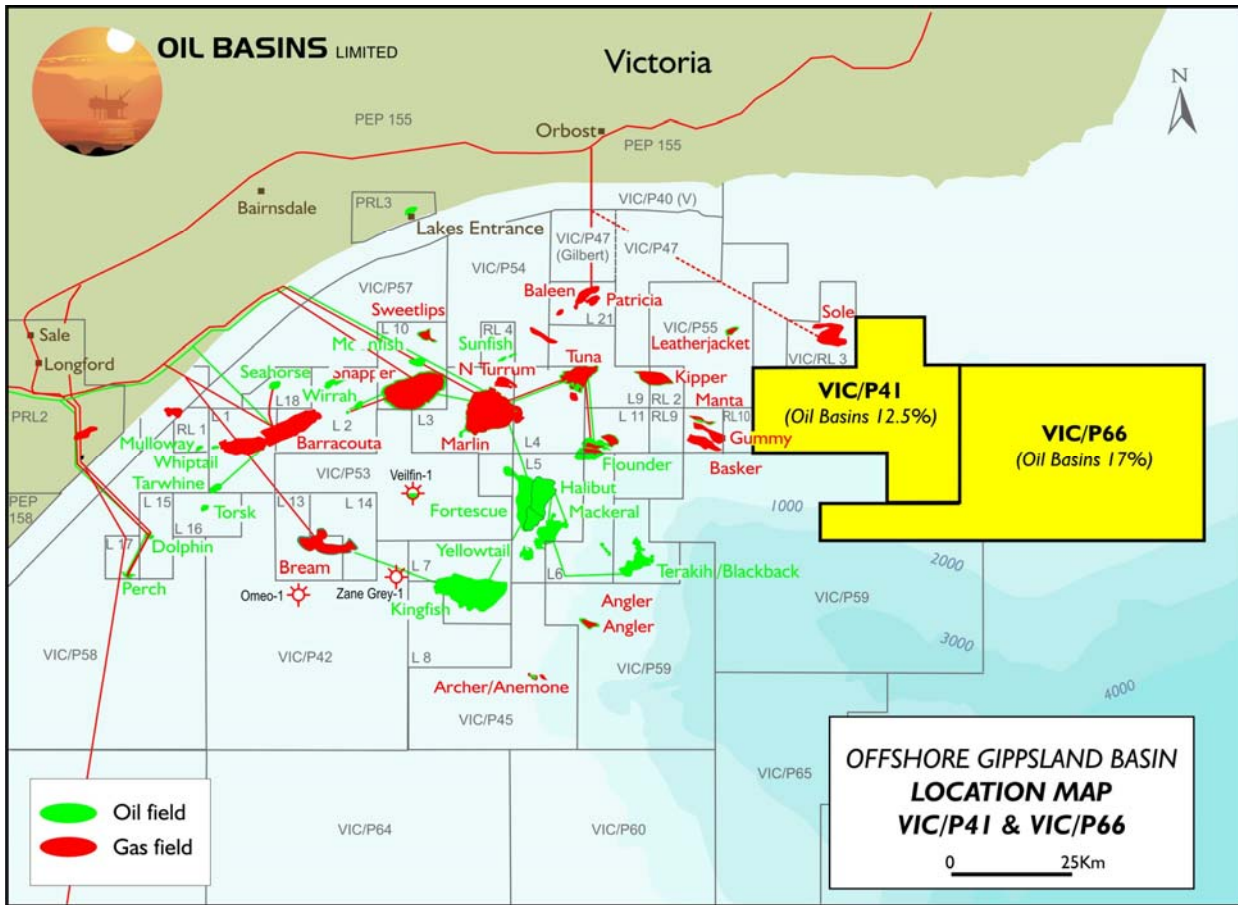


Figure 2
 Location of OBL's permit interests in Vic/P41 & Vic/P66 offshore Gippsland Basin

The leads mapped on 2D data are also of interest particularly Scorpion and Lead A with estimated in place volume potential of 90 and 130 MMBbbls respectively. AVO anomalies are associated with Lead A but the lack of relevant well control and the 1.5 x 5 kms seismic grid are limiting factors in the assessment of the anomalies.

Ownership (OBL - Rights to 12.5%)

The Vic/P41 Joint Venture consists of:

Bass Strait Oil Company Ltd (ASX code: BAS)	45% and Operator
Moby Oil & Gas Limited (ASX code: MOG)	30% (reducing to 25% - subject to farm-in by OBL)
Strategic Energy Resources Limited (ASX code: SER)	25% (reducing to 17.5% - subject to farm-in by OBL)
Oil Basins Limited, or nominee (ASX code: OBL)	12.5% (subject to farmouts by MOG and SER)
Over-riding Royalties	Nil

DIRECTORS' REPORT (CONT'D)

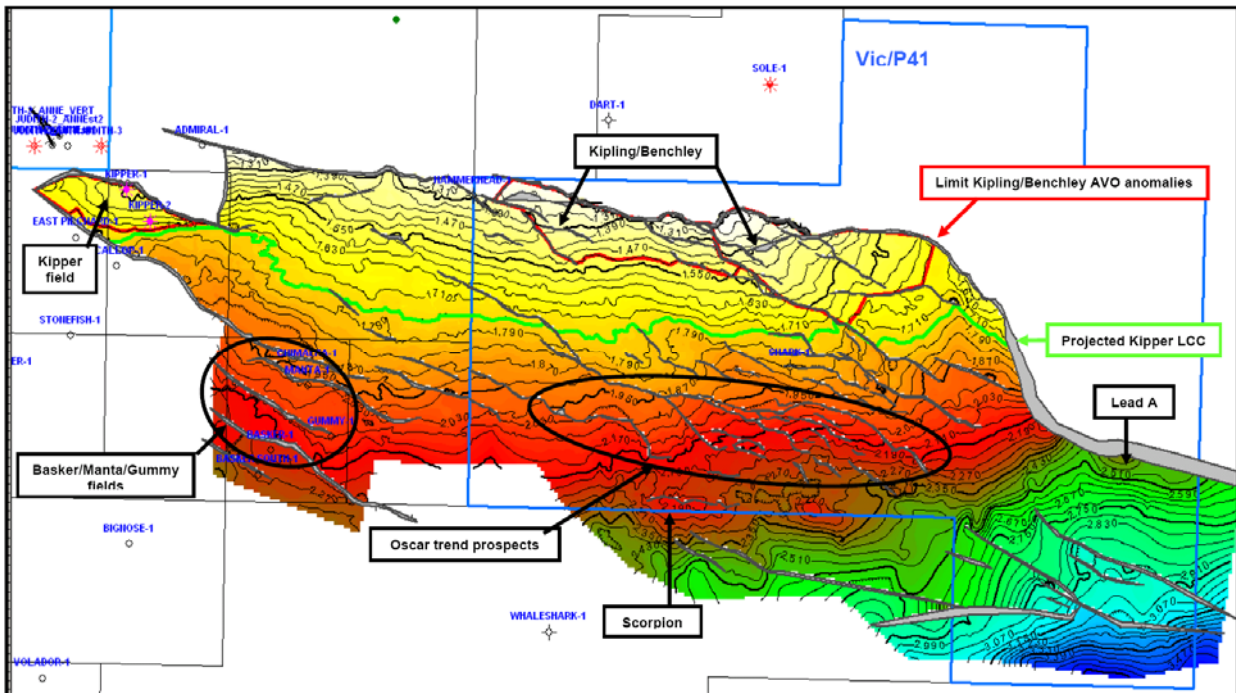


Figure 3

Permit Vic/P41 illustrating structural relationships between Kipper Field and Kipling/Benchley 3D defined prospects (could form one closure) and the Basker / Manta / Gummy Fields and Oscar prospect trends.

Update

The permit is in good standing with the Year 4 well commitment due to be drilled by 10 September, 2010 now varied with permission of the authorities to Year 5 and is not required until 10 September 2011 (refer to BAS ASX Release dated 16 October 2009). This permit is presently in very good standing and Company obligations for 2009/2010 are relatively modest by industry standards.

Notwithstanding this significant postponement in OBL's 2010 'potential Farm-in obligations' until calendar year 2011 (**Note OBL has the right but not the obligation to maintain its 12.5% interest by way of completion of its Farm-in*) which has occurred during the December Quarter, the Company continues to hold confidential discussions with interested Third Parties with respect to a partial sale of OBL's Rights to Vic/P41.

OBL maintains that overall this attractive 'gas prospective' permit strategically situated approximately half way between Melbourne and Sydney may have considerable appeal to Victorian brown coal utilities seeking independent peak gas energy supply under proposed carbon emission reduction legislation as presently contemplated.

GIPPSLAND BASIN – VIC/P66

Location – Bass Strait (refer to Figure 2)

The Vic/P66 permit covers 2,160 square kilometres from approximately 50 kilometres offshore in the eastern Gippsland Basin. It spans water depths from 200 metres to over 2,000 metres. The eastern area of the Gippsland Basin containing Vic/P66 has not been targeted for significant exploration in the past. Distance from established fields and infrastructure and increasing water depths are two factors that likely limited earlier exploration.

DIRECTORS' REPORT (CONT'D)

Ownership (OBL – 17%)

The Vic/P66 Joint Venture consists of:

Bass Strait Oil Company Ltd (ASX code: BAS)	60% and Operator
Strategic Energy Resources Limited (ASX code: SER)	23%
Oil Basins Limited (ASX code: OBL)	17%
Over-riding Royalties	Nil

Update

During the Quarter, a Joint Venture Meeting was held where the Vic/P66 Joint Venture Operating Agreement was formally executed by all parties and the Operator reviewed the vintage data collection and preliminary assessment of the prospectivity of the permit.

Company obligations for 2009/2010 are relatively modest by industry standards.

CANNING BASIN – BACKREEF AREA

Location – onshore Fitzroy Sub-Basin WA (refer to **Figure 4**) in the Canning Basin

The Backreef Prospect is wholly contained within the Backreef Area which consists of Exploration Permit (EP) 129, Remainder Part 2 (R2) (part thereof) & R3 (all) and Production Licence (L) 6 (part thereof).

The area hosting the Backreef Prospect, the Backreef Area, is situated some 100 km east of Derby and the prospect is located approximately 4.5 km northeast of the producing Blina Oil Field. Seismic data over this area was acquired by Home Oil in the early 1980's and subsequently by another Canadian explorer, Bow Valley Energy in early 1990's. Two key seismic lines from the area were reprocessed, interpreted and re-mapped by Oil Basins in late 2008 utilizing modern Prestack Time and Depth Migrated sections (**PSTM** and **PSDM**), respectively) and seismic inversion techniques. Earlier remapping and seismic inversion work had previously been undertaken in late 2007 by Oil Basins.

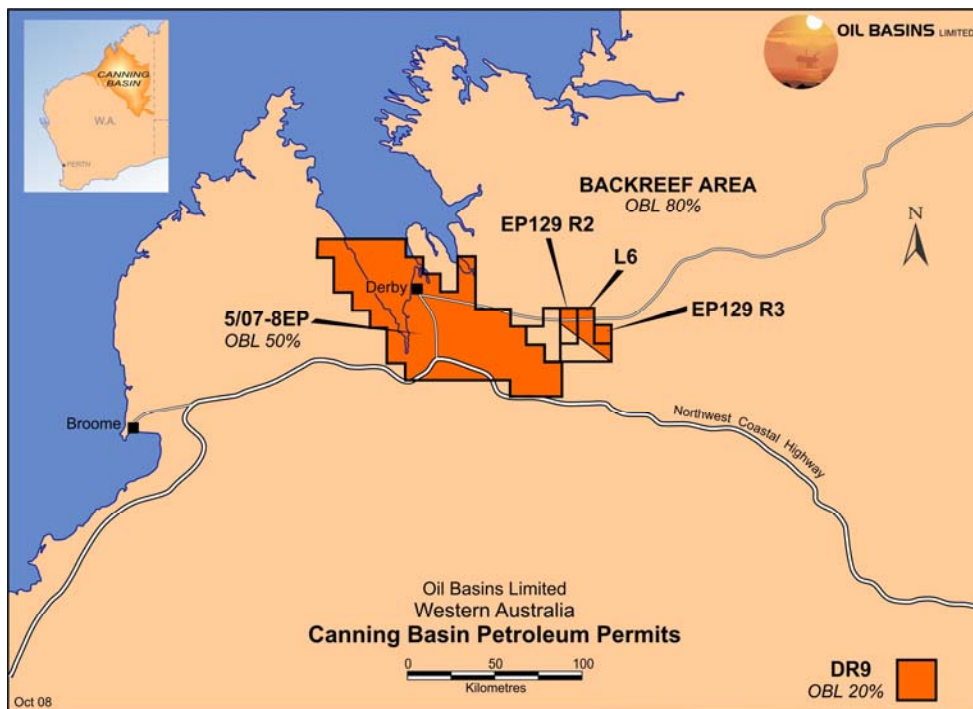


Figure 4
Oil Basins Canning Basin interests

DIRECTORS' REPORT (CONT'D)

This data and the re-interpretation confirmed the presence of an acoustic impedance anomaly on seismic inversion sections, indicative of a large stratigraphic trap of approximately 72 km², such as had been recognized by a previous operator. This previous tenement operator, Golden Dynasty Resources, calculated a potential proved and probable (2P) recoverable oil resource for the median case, in the Clanmeyer Formation, of approximately 270 MMbbls. Using the newly reprocessed data, mentioned above, the current tenement operator, Backreef Oil Limited, estimates the potential of this prospect also at 270 MMbbl, for the median case. Should the trap host gas, then the median potential gas resource likely is estimated to be 500 BCF.

Ownership (OBL - Rights to 80%* increased by conditional Option to 90%)

Following the completion of the Backreef-1 well, the ownership interests in Backreef Area will be as follows:

Backreef Oil Limited (BOL) Notes 1, 2 & 5	20%* (Operator) <u>reducing to 10%</u>
Oil Basins Limited (ASX code OBL) (or Nominee) Notes 1 & 2 Titleholder)	50% (subject to 30% back-in rights by Titleholder)
OBL Backreef No.5 Pty Ltd Notes 1 & 2	5%
OBL Backreef No.10 Pty Ltd Notes 1 & 2	10%
OBL Backreef No.15 Pty Ltd Notes 1, 2, 4 & 5	15%
Titleholder Note 3 OBL)	Nil% (holds back-in rights to 30% from OBL)

Note 1 Golden Dynasty Resources Ltd retains owns a 2% ORRI payable by Backreef Area JVPs

Note 2 European Gas Limited (ASX code EPG) owns a 3% ORRI payable by Backreef Area JVPs and Budside Pty Ltd owns a 1% ORRI over EP129, but excluding L6 & L8 – these royalties are payable by Backreef Area JVPs.

Note 3 EP129 and L6 Titleholder is Buru Energy Limited.

Note 4 Now renamed as **Canning Basin Oil Limited (CBO)**.

Note 5 Subject to a highly conditional restructure and formal stakeholder approvals – ****the OBL Group continues to hold in addition a conditional effectively zero-cost Option for a further 10% from BOL subject to carrying BOL for its remaining 10%.***

CANNING BASIN – DRILLING RESERVATION 9 (DR9)

Location – onshore Gregory Sub-Basin WA (refer to **Figure 4**) in the Canning Basin

The permit hosting this prospect, DR 9, is located some 120 km southeast of Fitzroy Crossing. Seismic data over this area was acquired by IEDC, now known as Kufpec (ie Kuwaiti Government Foreign Petroleum Exploration Company), in the mid-1980s. The data was subsequently reprocessed and remapped by Sydney Oil Company Drilling Equity Trust (SOCDET) in the early 1990s. The nearest oil show Cycas-1 is situated 20km northwest of Emika-1. SOCDET calculated a potential recoverable oil resource in the Anderson Formation of 84 MMbbl. The new operator, Backreef Oil Limited using modern PSTM and PSDM techniques applied to vintage data, maps the combined medium case potential of this prospect in the Betty and Anderson Formation target intervals at 107 MMbbl. Should the trap host gas, then the median potential gas resource likely is estimated to be 330 BCF.

Ownership (OBL - Rights to 20%)

Following satisfactory execution of a Farm-In Agreement, the joint venture interests will be as follows:

Backreef Oil Limited (BOL)	80% (Operator)
Oil Basins Limited (or Nominee)	20% Rights
Over-riding Royalties	Nil

DIRECTORS' REPORT (CONT'D)

PROPOSED RESTRUCTURING OF OBL'S INTERESTS IN BACKREEF AREA & DR9

On 17 August 2009, the Company announced it had entered into a series of conditional Heads of Agreement ('HoA') with joint venture partner Backreef Oil Limited ('BOL') which may lead to early drilling of both the Backreef Prospect, Backreef Area and the Emika Prospect, Drilling Reservation 9 ('DR9'), Canning Basin.

As part of this restructuring, the OBL Group attained exclusive rights from BOL to obtain a further 10% beneficial interest right in the Backreef Area and to Farm-in to DR9 for up to 53%.

OBL has via back-to back HoAs (which have also been executed by BOL) now conditionally assigned these rights to its wholly owned subsidiary Canning Basin Oil Limited ('CBO') – *formerly OBL Backreef No.15 Pty Ltd.*

These arrangements and HoA's are conditional upon funding being realized by 31 December 2009 and the usual stakeholder consents.

Potential Impact of these Agreements upon OBL

(a) Increase in potential stakes in Backreef Area and DR9:

The OBL Group has increased its potential interest in the Backreef Area to 90%, and

Permit	Backreef Area (EP 129 R2&R3 and L6)
Earning Interest	90% beneficial rights
Gross Target Size	270 MMbbl (median case for oil)
Gross Target Size	500 BCF (median case for gas)
Total Depth	1,500 to 1,800 metres (proposed TD)
Seismic Grid	Sparse 2 lines reprocessed with PSTM and PSDM and seismic inversion
Nearest Oilfield	Blina – approximately 4.5 km due west
Prospect Style	Stratigraphic Trap – submarine clastic (sandstone) fan play

The OBL Group has increased its potential interest in DR9 to 53%

Permit	DR 9
Earning Interest	53% direct
Gross Target Size	107 MMbbl (median case)
Gross Target Size	330 BCF (median case)
Total Depth	1,500 to 1,800 metres (proposed TD)
Seismic Grid	1.5km x 2.5km - all lines reprocessed with PSTM and PSDM
Nearest Oil Show	Cycas-1 – 20km northwest
Prospect Style	Conventional 4 way dip anticlinal closure clastic (sandstone) reservoir

(b) Increased flexibility in possible funding arrangements:

By these new commercial agreements, OBL has effectively now engineered three ways of funding Backreef-1 and this flexibility has now been extended to Emika-1.

The three ways are:

- Secure a conventional farmout to a third party for direct interests in either prospect;
- Sale of 100% of the shares in CBO (with Farm-ins as previously negotiated); and
- CBO raises the necessary funding itself (with Farm-ins as described above), refer to Section B – Capital Raising by Canning Basin Oil Limited.

DIRECTORS' REPORT (CONT'D)

As previously advised to Shareholders, as the net impact upon OBL is almost identical the Company is almost indifferent as to which method succeeds.

Extended HoA Option Agreements.

On 24 December 2009, both OBL and BOL reached an agreement to amend and extend the previously executed HoAs on mutually agreeable confidential terms – whereby the previous Farm-in option for Backreef Area is extended exclusively to OBL and/or nominees, whilst the previous Farm-in option for DR9 is now non-exclusive to OBL and/or nominees.

All other previously contemplated farmin parameters remain and any Farmin will be subject the usual stakeholder consents.

CANNING BASIN – PERMIT 5/07-8 EP

Location – onshore Fitzroy Sub-Basin WA (refer to **Figure 4**) in the Canning Basin

Ownership (OBL - 50%)

Following satisfactory execution of stakeholder and authorities agreements, the joint venture interests will be as follows:

Backreef Oil Limited	50% (Operator)
Oil Basins Limited (or Nominee)	50%
Over-riding Royalties	Nil

Update – Permit Finalisation

The Operator has advised that during the last Quarter planned meetings were held in December with respect to finalisation of Aboriginal Heritage issues with the relevant stakeholders.

As previously advised, no significant expenditures are anticipated to occur until approval from all relevant stakeholders and authorities are attained.

NEW OBL INITIATIVE – COAL SEAM GAS (CSG) POTENTIAL

As permitted under the **WA Petroleum and Geothermal Energy Resources Act (1967)**, upon this Permit being formally assigned to BOL / OBL, the JVPs in addition to holding the conventional petroleum exploration rights, BOL / OBL will also be deemed to hold 50/50 of the previously unconsidered and potentially now attractive, coal seam gas (**CSG**) rights [*or also commonly also referred to as coal seam methane (CSM) rights*] and unconventional gas rights (potential may also exist for a shallow shale gas project) within this block.

Whilst no significant work will be undertaken or contemplated until all of these formal approvals are fully finalised, OBL on behalf of the 5/07-8 EP JV, has initiated an independent “desktop” geological assessment of the coal measures likely to be contained within the Permit 5/07-8 EP, as part of preliminary work to assess the CSG potential of the permit (**refer to OBL ASX Announcement dated 16 December 2009, repeated in full for convenience**).

This CSG assessment is understood to be a first for this particular CSM Study Area within the Fitzroy Trough, Canning Basin, and represents a potential significant first move advantage for the 5/07-8 EP JV.

Earlier exploration / development of Canning Basin focused specifically upon gas resources has been mitigated in the past by high risk exploration / appraisal and the lack of domestic infrastructure and pipelines to southern bulk user markets.

DIRECTORS' REPORT (CONT'D)

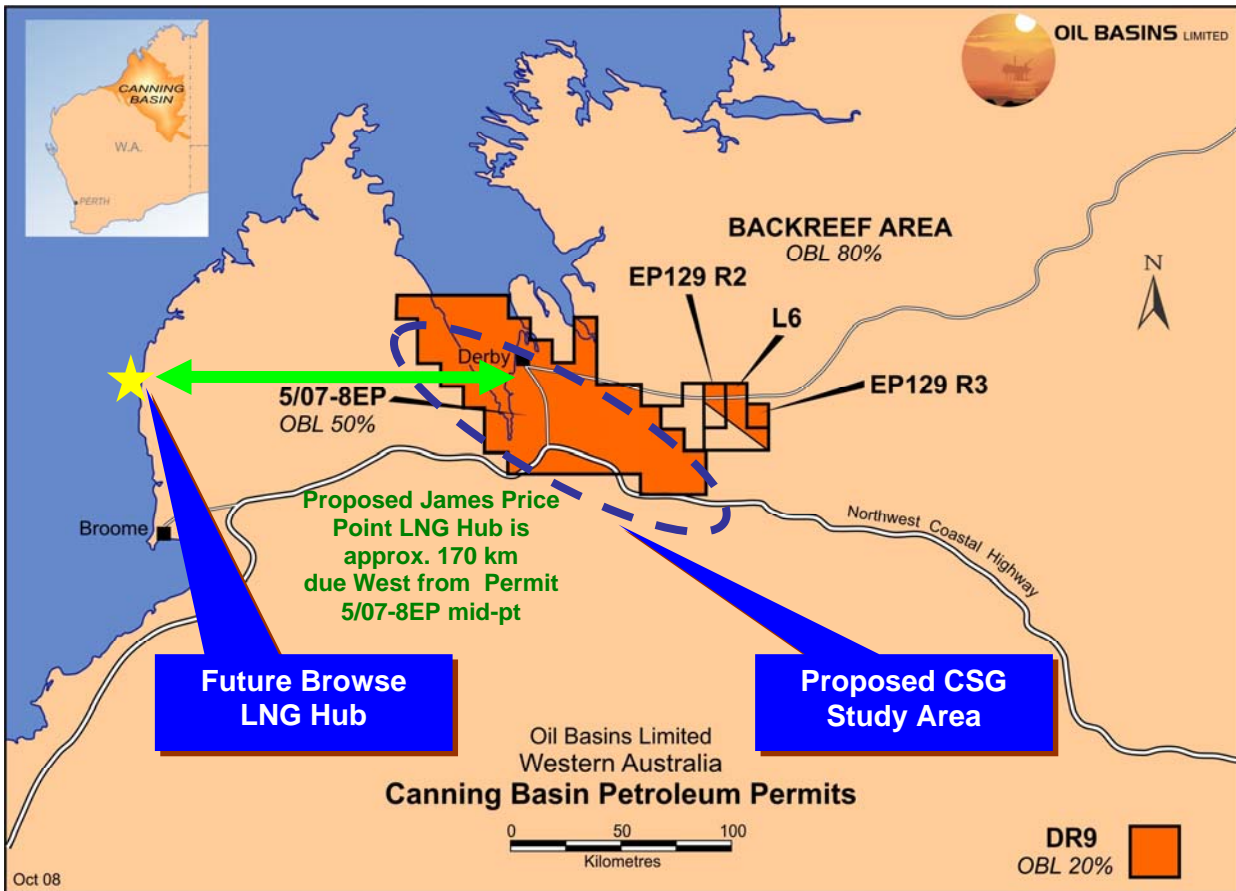


Figure 5

Oil Basins Canning Basin potential CSG interests maybe strategically situated

Since the provisional award of this Permit two years ago, a number of previously unconsidered highly significant events relating to CSG productivity and the recent announcement of a future LNG export infrastructure have subsequently occurred, which when considered together, may now strategically impact upon the attractiveness of investigating the merits of a future CSG development in the Canning.

- The considerable recent advances in CSG technologies and 'know-how' in Queensland, New South Wales and South Australia and in particular their application to a range of insitu previously un-mined abundant high ash content coal measures, is highly developed providing an economically viable, low exploration-risk, low-cost mostly methane feedstock suitable for LNG processing especially in Central and Southern Queensland (where four JV consortia are presently separately planning significant LNG projects centred around the establishment of LNG manufacturing and export terminal facilities at Gladstone, Queensland – the world's first such CSG to LNG Projects); and
- The location of a new Kimberley Browse LNG Hub Precinct nearby at James Price Point, situated circa 60km due north of Broome (refer to **Figure 5**) which is understood to have third party access rights for indigenous WA sourced gas.

OBL's preliminary investigations have indicated that during the late 1960's a private mineral exploration company, Thiess Bros extensively delineated the coal measures of the Permian Laveringa Sub-group within the regional area bounded by the present day Permit. In addition, extensive conventional 2D seismic and a number of vintage deeper exploration wells were undertaken by petroleum exploration companies (primarily between circa 1954 to circa 1990).

DIRECTORS' REPORT (CONT'D)

The regional geology within this large Permit is particularly well understood and importantly compressional events are likely to have occurred during the geological record subsequent to the Permian age. Coal was intersected in all penetrations across the large 5,062 square km block, with potential for individual coal seams up to 2.5m thick in the Laveringa (potential for multiple thin seams exists of gross 15m thickness interbedded with clay and black shales were observed by Thiess).

The coals are at depths considered prospective for CSG and may become a focus of early exploration and appraisal (should the independent CSG studies commissioned by OBL so conclude) in addition to the assessment of the JVPs prognosed sandstone Fan Style Plays – ie conventional oil and gas prospects postulated to occur along the southern flank of the well known Devonian age reefal platform situated along the northern boundary of the Permit (refer to the OBL 2009 Annual Report).

Commissioning of an Independent Expert Report

To assist this preliminary assessment, OBL has engaged Dierdre Westblade, Principal, Westby Consulting Pty Ltd, to conduct an Independent Expert Geologist Report to assess the delineated coal measures within Permit 5/07-8 EP, Canning Basin, Western Australia as an important first step to overall CSG prospectivity.

This preliminary assessment is expected to be complete during March 2010 and subject to these findings maybe used as important source material for further specialist independent CSG expert geological assessment.

Westby Consulting Pty Ltd is a leading Perth based authority on coal mineral geology and regional coal exploration within Western Australia and has conducted a number of independent and geological assessments of the majority of WA's coal basins for coal exploration and development companies.

Whilst specific CSM productivity parameters such as gas absorption, permeability, coal rank and gas content are unlikely to have been measured / monitored in the vintage exploration work, it is anticipated that sufficient historical data will exist to enable the Independent Expert to delineate the overall extent of the in-ground coal measures resource situated within the permit as a preliminary and necessary assessment of the risk-reward of the overall new project. In addition it is noted that nearby mineral explorers including Rey Resources Ltd and Cullen Resources Ltd are successfully exploring for coal and any relevant published coal quality data will be used in this CSG Study Area assessment.

Should either a CSG project and / or an unconventional shallow shale gas project appear both feasible and attractive, further work and a revised exploration work program will be considered in due course to the WA DMP and all relevant stakeholders (ahead of field work).

The CSG Study Area is particularly well situated in relatively flat terrain, close to the provincial WA township of Derby and well accessed by all weather highways.

Throughout and during this process, interested parties (upstream, midstream and downstream) with the necessary pre-requisite CSG to LNG credentials are invited to make formal approaches to the JVPs to assist in a rapid assessment of the CSG Study Area, once exploration rights have been ratified by the WA DMP and stakeholders.

DIRECTORS' REPORT (CONT'D)

CARNARVON BASIN – RETENTION LEASE R3

Location – offshore (shallow water) Carnarvon Basin WA (refer to Figure 5)

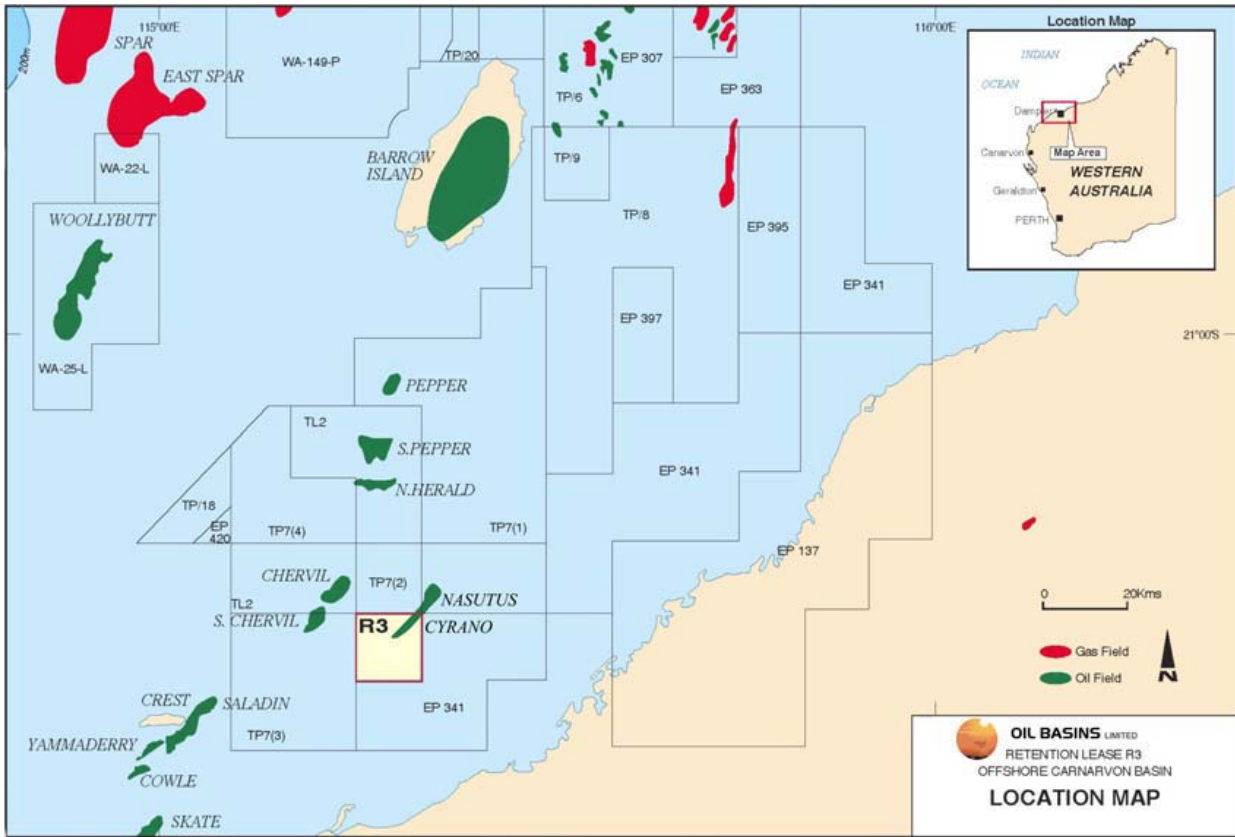


Figure 5
 Location of Retention Lease R3 (Cyrano), Offshore Carnarvon Basin

Ownership (OBL - 25%)

Tap (Shelfal) Pty Ltd (TAP Oil, a wholly owned subsidiary of Tap Oil Limited)	75% (Operator)
Oil Basins Limited	25%
Over-riding Royalties	Nil

Update

A joint venture meeting was held in early September to review last years and current Permit year's work program which remains focussed on geological and geophysical studies.

Company obligations for 2009/2010 are relatively modest by industry standards with a one-off \$20,000 being funded by OBL during January 2010 (representing the previously unbilled 2008/2009 Year 3 R3 JV cash call). A similar amount has been budgeted by OBL for the next quarter representing the 2009/2010 Year 4 R3 JV cash call.

DIRECTORS' REPORT (CONT'D)

B. PROPOSED CAPITAL RAISING BY CANNING BASIN OIL LIMITED

An investment in "OilCans" – redeemable preference shares in Canning Basin Oil Limited

This is a unique opportunity for suitably qualified Exempt or Sophisticated investors to invest in unlisted Canning Basin Oil Limited ("**CBO**") which subject to conditional funding being fulfilled, the normal stakeholder and regulatory approvals, CBO will, with the Amendment and Extension detailed below, effectively Farm-In upto a 25% interest in both Backreef-1 and Emika-1 wells.



CANNING BASIN OIL LIMITED
ACN 119 477 300

Information Memorandum Presentation

September 2009

An investment in "Backreef OilCans"



Amendment and Extension of CBO Offer to Exempt and Sophisticated Investors

The original CBO Offer timetable was with revision extended to 1 December 2009. Encouraged by the soundings of the CBO Applicants who remained keen to participate in this Offer, OBL considered ways of revising the IM Booklet to assist the outcome of reducing the net interest of CBO to 5% as permitted under the Backreef Area Settlement Deed (subject to the usual regulatory and stakeholder approvals and consents)

On 8 December 2009 OBL advised the ASX wishes of the following amendment to the Offer to subscribe to redeemable preference shares in its unlisted subsidiary Canning Basin Oil Limited (**CBO**).

The key impact of this revision is that OBL will now seek (subject to formal stakeholder approval to the transfer as permitted in the Backreef Area Settlement Deed) to re-arrange the ownership of its Group's interest in the Backreef Area – whereby CBO will reassign a portion of its interest in the Backreef Area back to OBL or OBL Group nominee (upon finalization of the CBO Offer).

The revised amount so raised will now be a prorata of the previous Basic Offer of \$3.50 million (CBO Applicants – net 25% NPI Backreef Area), whereby the minimum amount so raised will now be reduced to \$0.65 million (CBO Applicants – net 5% NPI Backreef Area), as follows:

All investment metrics ratios as described under the original CBO Offer Information Memorandum (IM) remain for both existing and future CBO Applicants (**Refer to Schedule A**).

REVISED OFFER TERMS SHEET:

- Minimum Application A\$2,000 (as previously advised on 1 October 2009);
- Minimum CBO Raising A\$650,000 – corresponding to a 5% held by CBO and a 5% NPI being duly assigned to CBO Applicants.
- Basic CBO Raising A\$3,450,000 – corresponding to a 25% held by CBO and a 25% NPI being duly assigned to CBO Applicants.

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DIRECTORS' REPORT (CONT'D)

- Subject to OBL either farming out Backreef-1 so as the well is fully funded to \$2.5 million and/or OBL raising the balance in conventional equity funding (in either case no later than 31 March 2010 – but in the case of funding of Backreef-1 can be extended at the discretion of OBL directors), CBO Applicants funds will be held in escrow until either event is completed or returned in full within 5 days of this date.
- Minimum and Basic Application of funds are as per Schedule B and prorata thereafter upto Basic CBO Raising.
- All other agreements, definitions and representations as contained in the CBO IM remain, with the likely earliest drilling date of Backreef-1 late in June Quarter 2010.
- In the event of a commercial discovery, OBL will carry CBO on all prorata costs a second well in the Backreef Area.
- All successful qualified CBO Applicants will be contacted individually within 5 days to advise them of these changes.

Schedule A – refer to Canning Basin Oil Limited – Information Memorandum
www.canningbasinoil.com.au

INVESTOR'S APPLICATION CASE 1. [BASIC RAISING \$3.5M] Dollars Subscribed.	INVESTOR'S POTENTIAL SHARE Effective Net % NPI BACKREEF AREA "Backreef Oil Cans"	INVESTOR'S POTENTIAL SHARE Net Prospective Potential Resources			INVESTOR'S POTENTIAL SHARE Potential Value of a Discovery*		
		Low Case MMbbls	Medium Case MMbbls	High Case MMbbls	Low Case \$M	Medium Case \$M	High Case \$M
\$2,000 MINIMUM.	0.014%	0.020	0.039	0.048	\$0.10	\$0.19	\$0.24
\$3,000	0.022%	0.030	0.058	0.072	\$0.15	\$0.29	\$0.36
\$4,000	0.029%	0.040	0.077	0.096	\$0.20	\$0.39	\$0.48
\$5,000	0.036%	0.050	0.096	0.120	\$0.25	\$0.48	\$0.60
\$6,000	0.043%	0.060	0.116	0.144	\$0.30	\$0.58	\$0.72
\$7,000	0.050%	0.071	0.135	0.169	\$0.35	\$0.68	\$0.84
\$8,000	0.058%	0.081	0.154	0.193	\$0.40	\$0.77	\$0.96
\$9,000	0.065%	0.091	0.174	0.217	\$0.45	\$0.87	\$1.08
\$10,000	0.071%	0.101	0.193	0.241	\$0.50	\$0.96	\$1.20
\$11,000	0.079%	0.111	0.212	0.265	\$0.55	\$1.06	\$1.32
\$12,000	0.086%	0.121	0.231	0.289	\$0.60	\$1.16	\$1.44
\$13,000	0.093%	0.131	0.251	0.313	\$0.65	\$1.25	\$1.56
\$14,000	0.100%	0.141	0.270	0.337	\$0.71	\$1.35	\$1.69
\$15,000	0.107%	0.151	0.289	0.361	\$0.76	\$1.45	\$1.81
\$16,000	0.114%	0.161	0.309	0.385	\$0.81	\$1.54	\$1.93
\$17,000	0.121%	0.171	0.328	0.409	\$0.86	\$1.64	\$2.05
\$18,000	0.129%	0.181	0.347	0.433	\$0.91	\$1.74	\$2.17
\$19,000	0.136%	0.191	0.366	0.457	\$0.96	\$1.83	\$2.29
\$20,000	0.143%	0.201	0.386	0.481	\$1.01	\$1.93	\$2.41
\$25,000	0.179%	0.252	0.482	0.602	\$1.26	\$2.41	\$3.01
\$30,000	0.214%	0.302	0.579	0.722	\$1.51	\$2.89	\$3.61
\$35,000	0.250%	0.353	0.675	0.843	\$1.76	\$3.38	\$4.21
\$40,000	0.286%	0.403	0.771	0.963	\$2.01	\$3.86	\$4.81
\$45,000	0.321%	0.453	0.868	1.083	\$2.27	\$4.34	\$5.42
\$50,000	0.357%	0.504	0.964	1.204	\$2.52	\$4.82	\$6.02
\$75,000	0.536%	0.755	1.446	1.805	\$3.78	\$7.23	\$9.03
\$100,000	0.714%	1.007	1.929	2.407	\$5.04	\$9.64	\$12.04
\$150,000	1.071%	1.511	2.893	3.611	\$7.55	\$14.46	\$18.05
\$200,000	1.429%	2.014	3.857	4.814	\$10.07	\$19.29	\$24.07
\$250,000	1.786%	2.518	4.821	6.018	\$12.59	\$24.11	\$30.09
\$350,000	2.500%	3.525	6.750	8.425	\$17.63	\$33.75	\$42.13
\$500,000	3.571%	5.036	9.643	12.036	\$25.18	\$48.21	\$60.18
\$750,000	5.357%	7.554	14.464	18.054	\$37.77	\$72.32	\$90.27
\$1,000,000	7.143%	10.071	19.286	24.071	\$50.36	\$96.43	\$120.36
\$1,500,000	10.714%	15.107	28.929	36.107	\$75.54	\$144.64	\$180.54
\$2,000,000	14.286%	20.143	38.571	48.143	\$100.71	\$192.86	\$240.71
\$2,500,000	17.857%	25.179	48.214	60.179	\$125.89	\$241.07	\$300.89
\$3,000,000	21.429%	30.214	57.857	72.214	\$151.07	\$289.29	\$361.07
\$3,500,000 MAXIMUM.	25.000%	35.250	67.500	84.250	\$176.25	\$337.50	\$421.25

* Valuation assumes modest A\$5.00/bbl in ground pre-field development value

DIRECTORS' REPORT (CONT'D)

Schedule B – refer to page 28, CBO IM

	REVISED MINIMUM A\$	BASIC AMOUNT A\$
CBO Offer	\$650,000	\$3,450,000
<i>less</i>		
Broker Fees plus GST (maximum estimate)	\$42,900	\$227,700
Drilling Cost via Conditional Farmin	\$500,000	\$2,500,000
Backcosts/Management & Legal Fees (adjusted)	<u>\$97,000</u>	<u>\$550,000</u>
Sub-total	\$639,900	\$3,227,700
Unallocated funds	<u>\$11,100</u>	<u>\$172,300</u>
	<u>\$650,000</u>	<u>\$3,450,000</u>

Note:

CBO's interest may become more than 5% but less than 25% (as permitted under the Backreef Area Settlement Deed), such that investors achieve the same beneficial interest per dollar invested, that OBL reserves the right to close the Offer at will, that its completion will be subject to alternative funding by OBL of the balance of the drilling cost (if any) and that subscribers prior to the addendum are being offered a refund or to continue on the new terms.

- Essentially this is a **New Product Offering** developed by Oil Basins Limited (**OBL**) – offering Investors (*ie new CBO redeemable preference shareholders*) what is essentially identical terms as would be offered by OBL to a Third Party Farminee to earn upto a direct 25% interest.
- **The key essential difference with this investment product is that upon success the entire direct upto 25% interest earned by CBO is immediately represented by a corresponding upto 25% Net Profit Interest (NPI) “OilCans” which by the terms of the IM is wholly dedicated to the preference shareholders (prorata).**
- Note, by owning an NPI, CBO preference shareholders (who are represented by OBL/CBO at the JV level) are able to maintain in fractional % ownership terms interests in future after tax revenue streams from production funded by them.
- Consequently CBO preference shareholders are able to earn and hold fractional % interest ownership in a lot less than the minimum 5% permit/interest holding as required under the terms of the usual JV Agreement.
- In the case of success OBL will free carry the CBO preference shareholders an additional well in the discovery(s) – to enable the investors to delineate petroleum reserves and also attain/increase self-funding and production.
- In addition, the preference shareholders will receive twice yearly NPI profit distributions (upon a successful commercial discovery leading to a field development).
- Upon success, OBL will carry CBO for a further well in each prospect and seek the listing of these preference shares on the ASX or NSX or some other appropriate form of securitization.
- In the case of failure and no commercial discovery is made, the preference shares are immediately redeemed giving the investor an immediate 99.9% capital loss by year end of the financial year in which the well is completed.
- Refer to the Information Memorandum (**IM**) and Slide Presentation at the Company website www.canningbasinoil.com.au
- Hard copies of this (**IM**) are available to investors upon request – refer to the Extract Attached which describes both prospectivity and investment metrics (upon success).

DIRECTORS' REPORT (CONT'D)

- Investors are reminded to fully read the Risk Section contained within the IM prior to proceeding with their individual investment and to seek professional advise.
- Subject to the Maximum Capital Raising of the Offer, there are no maximum Applications as this Offer is specifically made only to Exempt and/or Sophisticated investors within section 708(8) or section 708(10) of the Corporations Act 2001 (Cth). Qualified investors are either registered AFSL's or:
 - Exempt investors who are individuals who apply for AUD500,000 of stock,
 - Exempt investors which are Corporations (meeting these conditions), and
 - Sophisticated investors are investors who can produce an “**Accountant's Certificate**” verifying that their individual personal pre-tax income was equal or greater than AUD250,000 in the preceding year, OR who have gross assets greater than AUD2.5 million.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the review of the half-year is following the Directors Report.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Kim Warren McGrath
Chairman

MELBOURNE

16 March 2010

The Board of Directors
Oil Basins Limited
Suite 304, 22 St. Kilda Road
ST KILDA, VIC 3182

16 March 2010

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 review of the financial statements of Oil Basins Limited for the half-year ended 31 December 2009, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU


Craig Bryan
Partner
Chartered Accountant

Independent Auditor's Review Report to the members of Oil Basins Limited

We have reviewed the accompanying half-year financial report of Oil Basins Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2009, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 21 to 30.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Oil Basins Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oil Basins Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants
Melbourne, 16 March 2010

DIRECTORS' DECLARATION

The Directors declare that:

- a) in the Directors' opinion, 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
- b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Kim Warren McGrath
Chairman

MELBOURNE

16 March 2010

OIL BASINS LIMITED
ABN 56 006 024 764

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED ENTITY	
	Half-year ended 31 December 2009 \$	Half-year ended 31 December 2008 \$
Consulting Revenue	-	30,000
Interest Revenue	3,478	14,317
Corporate expenses	(46,246)	(305,542)
Employment expenses	(135,222)	(127,511)
Administrative expenses	(34,610)	(31,793)
Share based payments	(165,600)	(6,000)
Depreciation	(380)	(394)
Loss before tax for the period	<u>(378,579)</u>	<u>(426,923)</u>
Income tax expense	-	-
Loss for the period attributable to owners of the parent	<u><u>(378,579)</u></u>	<u><u>(426,923)</u></u>
Other comprehensive income net of tax	<u>-</u>	<u>-</u>
Total comprehensive loss for the period attributable to owners of the parent	<u><u>(378,579)</u></u>	<u><u>(426,923)</u></u>
	Cents per Share	Cents per Share
Loss per Share		
Basic loss per share	(0.38)	(1.25)
Diluted loss per share	(0.38)	(1.25)

This statement is to be read in conjunction with the notes to the financial statements.

OIL BASINS LIMITED
ABN 56 006 024 764

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	CONSOLIDATED ENTITY	
	31 December	30 June 2009
	2009	
	\$	\$
Current Assets		
Cash and cash equivalents	558,642	301,519
Trade and other receivables	16,716	26,396
Total Current Assets	<u>575,357</u>	<u>327,915</u>
Non-Current Assets		
Property, plant and equipment	409	788
Other financial assets	-	-
Petroleum exploration expenditure	1,359,942	1,324,790
Total Non-Current Assets	<u>1,360,351</u>	<u>1,325,578</u>
Total Assets	<u>1,935,708</u>	<u>1,653,493</u>
Current Liabilities		
Trade and other payables	77,147	38,496
Other current liabilities	77,943	-
Total Current Liabilities	<u>155,090</u>	<u>38,496</u>
Total Liabilities	<u>155,090</u>	<u>38,496</u>
Net Assets	<u>1,780,618</u>	<u>1,614,997</u>
Equity		
Issued Capital	4,704,265	4,325,665
Reserves	828,614	663,014
Accumulated losses	<u>(3,752,261)</u>	<u>(3,373,682)</u>
Total Equity	<u>1,780,618</u>	<u>1,614,997</u>

This statement is to be read in conjunction with the notes to the financial statements.

OIL BASINS LIMITED
ABN 56 006 024 764

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED			Total
	Issued Capital	Accumulated Losses	Option Reserves	
Equity as at 1 July 2008	3,726,194	(2,713,194)	594,014	1,607,014
Loss for the period (a)	-	(426,923)	-	(426,923)
Total comprehensive loss for the period	-	(426,923)	-	(426,923)
Granting of Options	-	-	6,000	6,000
Equity as at 31 December 2008	3,726,194	(3,140,117)	600,014	1,186,091
Equity as at 1 July 2009	4,325,665	(3,373,682)	663,014	1,614,997
Loss for the period (a)	-	(378,579)	-	(378,579)
Total comprehensive loss for the period	-	(378,579)	-	(378,579)
Granting of options	-	-	165,600	165,600
Issue of shares	400,000	-	-	400,000
Cost of Capital Raising	(21,400)	-	-	(21,400)
Equity as at 31 December 2009	4,704,265	(3,752,261)	828,614	1,780,618

This statement is to be read in conjunction with the notes to the financial statements.

OIL BASINS LIMITED
ABN 56 006 024 764

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED ENTITY	
	Half-year ended 31 December 2009 \$	Half-year ended 31 December 2008 \$
Cash Flows From Operating Activities		
Receipts from customers	-	80,000
Interest received	4,451	14,317
Payments to suppliers and employees	(189,824)	(364,041)
Net cash used in operating activities	<u>(185,373)</u>	<u>(269,724)</u>
Cash Flows From Investing Activities		
Payments for petroleum exploration expenditure	(14,047)	(93,768)
Net cash used in investing activities	<u>(14,047)</u>	<u>(93,768)</u>
Cash Flows From Financing Activities		
Proceeds from issue of equity securities	400,000	-
Proceeds from subsidiary information memorandum	77,943	-
Payment for share issue costs	(21,400)	-
Net cash flows provided by financing activities	<u>456,543</u>	<u>-</u>
Net Increase (Decrease) in cash and cash equivalents	257,123	(363,492)
Cash and cash equivalents at beginning of the period	<u>301,519</u>	<u>504,767</u>
Cash and cash equivalents at the end of the period	<u><u>558,642</u></u>	<u><u>141,275</u></u>

This statement is to be read in conjunction with the notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*. Compliance with AASB134 ensured compliance with International Financial Reporting Standard IAS34: *Interim Financial Reporting*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and, therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Oil Basins Limited as at 30 June 2009. It is also recommended that the half-year financial report be considered together with any public announcements made by Oil Basins Limited and controlled entities during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporation Act 2001.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical costs, except for the revaluation of selected non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and revised standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

AASB 8: Operating Segments
AASB 101: Presentation of Financial Statements
AASB 127: Consolidated and Separate Financial Statements

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements in the following areas:

- **Presentation of the financial statements.** Previously, in addition to the statement of financial position (formerly termed the "balance sheet"), the income statement and the cash flow statement, the Group presented a statement of recognised income and expenses. As a consequence of the adoption of AASB101 Presentation of Financial Statements (2007) and its associated amending standards, the Group no longer presents a statement of recognised income and expenses, but presents in addition to the statements listed above, a statement of comprehensive income and a statement of changes in equity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

- **Information about the Group's segments.** The adoption of *AASB 8: Operating Segments* and *AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8* has resulted in no change to the Company's reporting segments and disclosures (refer to Note 2).
- **Consolidated and Separate Financial Statements.** The adoption of *AASB 127: Consolidated and Separate Financial Statements* has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in the subsidiaries. In prior years, in the absence of specific requirements in the Australian Accounting Standards, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under *AASB 127(2008)*, all increases or decreases in such interest are recognised in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognizes all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date that control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between proceeds, if any, and these adjustments.

2. SEGMENT INFORMATION

The company operates predominately as an oil and gas explorer within Australia.

The group has adopted AASB 8 Operating Segments with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the company as a whole in the business segment of oil and gas exploration within Australia. This segment reporting was previously reported under AASB 114 as Primary Reporting – Business Segments and its segment analysis has been continued for the current half-year.

Upon the adoption of AASB 8, there has been no change to the reportable segments. The Group has therefore not changed any reporting for the previous corresponding period. Oil Basins Limited operates in the oil and gas exploration industry within Australia.

3. ISSUE OF EQUITY SECURITIES

During the half-year reporting period the company:

- issued 20,000,000 ordinary shares to sophisticated investors raising \$400,000 before costs and each OBL share placed received a free attaching one (1) for two (2) OBLOA listed option totaling 10,000,000 options (exercisable at 1.5 cents on or before 30 June 2012).
- issued 36,000,000 options to Directors and key management personnel. These options were independently valued using the Black-Scholes-Merton option pricing model. The independent value per option is \$0.0092 being a total of \$165,600.

4. ACQUISITION AND DISPOSAL OF ENTITIES

There have been no acquisitions or disposals of subsidiaries during the half year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

5. CONTINGENCIES AND COMMITMENTS

Petroleum Exploration Commitments

Vic/P41 Joint Venture, Gippsland Basin – Legal Rights 12.5%

For the Company to earn full legal and beneficial participation rights Vic/P41, the Company will be required to make payments in accordance with the Farm-in agreements entered into during August 2006.

All potential payments pursuant to the Farm-in agreements in place at the date of this report are payable at the option of the Company and there are no obligations on the Company to make these payments.

On 16 October 2009, the permit Operator Bass Strait Oil Company Limited (BAS) announced the deferment of the previous Year 4 Work Program well commitment (previously due to be drilled by 10 September, 2010) now postponed, with approval of the Designated Authority, until to Year 5 ie 10 September 2011 (refer to BAS ASX Release dated 16 October 2009). Consequently, the decision by OBL to elect to commit to funding the Farm-in has now been effectively delayed by a year and at the very latest until third quarter 2011 (refer to BAS ASX Release dated 16 October 2009).

This permit is presently in very good standing and Company revised obligations for calendar year 2010 are relatively modest by industry standards.

Should the Company earn full participation rights the following minimum payments will be required prior to the drilling of an offshore exploration well by no later than 10 September, 2011:

Vic/P41 (5% from Moby Oil & Gas Ltd)	\$1,650,000
Vic/P41 (7.5% from Strategic Energy Resources Limited)	\$2,437,500

Vic/P66 Joint Venture, Gippsland Basin – 17%

The formal Joint venture Agreement was finalised during the recent December quarter. The Company's obligations for calendar year 2010 are relatively modest by industry standards.

Backreef Area, Canning Basin – Beneficial Rights 80% (increased to 90% by way of zero cost Option)

Following settlement of the legal dispute with ARC Energy Limited during the period 31 December 2009, the Group has successfully acquired formal beneficial rights to 80% of the Backreef Area (formerly the Blina Backreef Play Joint Venture Area).

For the Company to successfully complete the Farm-in with ARC Energy, the Company must fund 100% of the drilling of the Backreef Prospect by no later than 31 October 2010. The Company has the exclusive right but not the obligation to Farm-in on the Backreef Area by this date:

For the OBL Group to earn 90% of the Backreef Area 90%, the Company and/or Farminee must demonstrate funding of 100% of Backreef Prospect* well drilling and completion cost and drill to a minimum total depth of 1,500m.

5. CONTINGENCIES AND COMMITMENTS (CONT'D)

*Revised Estimated cost of a conventional well is \$2,500,000 (including contingency) by Operator Backreef Oil Limited (BOL). Alternatively slim-hole drilling costs (using a modified mineral drilling rig) are likely to be substantially cheaper and the Company is investigating this alternative. Such a rig and drilling technique has recently been approved during 2009 by WA Department of Mines and Petroleum (**DMP**) in the Canning and has been previously used by WMC Petroleum during the 1980's as a low cost alternative.

Drilling of the Backreef well will be dependent upon the following conditions being satisfied:

- Availability of a suitable drilling rig,
- Approval of a suitable drilling program by all the stakeholders and authorities,
- Funding of the well by way of direct Company funds or by way of partial farmout by the Company to Third Party Farminees

As at 31 December 2009 the drilling program had not commenced but formal registration was proceeding. The Company has recently commenced preparing the Joint Venture Agreement in accordance with the Backreef Area settlement. The Company's 80% beneficial interest and BOL's 20% beneficial interest were formally assigned by Titleholder Buru Energy Limited in December 2008 and were formally registered by DMP in late January 2009.

Presently the Company is focussed on funding the Backreef Prospect well by way of conventional farmout and by way of funding by OBL Group subsidiary Canning basin Oil Limited.

Although its OBL intention to drill Backreef-1 during 2010, there is presently no obligation to drill Backreef Prospect during current calendar year 2010.

Drilling Reservation 9 (DR9), Canning Basin – 20% Rights (non-exclusive right to increase to 53%)

For OBL to earn full participation rights to 20% of DR9 – Emika Prospect, the Company will be required to make payments in accordance with the Farm-in agreements with Operator OBL.

All potential payments pursuant to the Fam-in agreement HoA Terms Sheet (and subsequent Agreed Variations between BOL and OBL) presently in place are payable entirely at the option of the Company and there are no obligations on the Company to make these payments.

Under the original HoA, should the Company earn full participation rights the following contingent payments will be required – effectively this agreement has now lapsed (but maybe revisited if the Company has the ability to provide funding prior to the drilling of Emika):

DR9 – Emika (20% option) \$666,667 less the \$32,000 prepaid deposit by OBL
Thereafter 20% prorata over expenditures greater than \$2.0 million

BOL has recently indicated that it is their present intention to farmout DR9 as soon as practicable ahead of the drilling completion date of 30 June 2010.

On 17 August 2009, the Company entered into a new exclusive zero-cost option HoA to farm-in up to 53% to DR9 providing 100% funding of circa \$2,500,000 were finalized by 31 December 2009 and this was the basis of the proposed additional funds raising within the Canning basin Oil Limited Information Memorandum.

This new HoA has effectively lapsed and the Company has a non-exclusive arrangement with BOL to farm-in during first half of 2010 on mutually agreeable terms.

Presently there is no obligation by the Company to either commit to drilling or farm-in to the Emika Prospect during current calendar year 2010.

5. CONTINGENCIES AND COMMITMENTS (CONT'D)

5/07-8 EP, Canning Basin – 50% interest

On 19 December 2008, the Company announced to the ASX that it and its 50/50 Joint Venture Partner Backreef Oil Limited (**BOL**) were notified by the DMP of success in applying for the attractive permit Application Area L07-1 (to be awarded as 5/07-8 EP).

The DMP has been formally notified by the Operator BOL on behalf of the Joint Venture that it wishes to proceed and commence negotiations on the Native Title Claim on the application area.

This is expected to take some time (originally estimated by BOL up to 24 months) to conclude with the Kimberley Land Council and no significant expenditures are anticipated to occur until approval from all relevant stakeholders and authorities are attained.

On 17 December 2009, the Company announced that it was commencing a formal study of the coal seam gas (CSG) potential of this large permit. As permitted under the **WA Petroleum and Geothermal Energy Resources Act (1967)**, upon this Permit being formally assigned to BOL / OBL, the JVPs in addition to holding the conventional petroleum exploration rights, BOL / OBL will also be deemed to hold 50/50 of the previously unconsidered and potentially now attractive, coal seam methane (**CSM**) rights and unconventional gas rights (potential may also exist for a shallow shale gas project) within this block.

To assist this preliminary assessment, OBL has engaged Dierdre Westblade, Principal, Westby Consulting Pty Ltd, to conduct an Independent Expert Geologist Report to assess the delineated coal measures within Permit 5/07-8 EP, Canning Basin, Western Australia.

This assessment is expected to be complete during March / April 2010 and OBL has budgeted circa \$35,000 to complete this Phase 1 initial assessment and technical review (including other work by yet to be formally engaged expert CSG consultants). Up to 50% of these costs are possibly recoverable when the formal Joint Venture Agreement is finalized with the Operator BOL.

Retention Lease 3 (RL3), Carnarvon Basin – 25% interest

The Company's 25% interest was formally assigned by Joint Venture partners in September 2009 and was formally registered by the WA Department of Mines and Petroleum (**DMP**) in late January 2010.

A formal Joint Venture meeting was held in September 2009 and the work program and budget was finalised for previous Year 3 and current Year 4. The present work program obligations amount to a revised net up to \$20,000 of geological and geophysical studies per annum (Company obligations are therefore very modest by industry standards) ie circa 4 times the minimum RL3 work program terms.

6. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arise since the end of the half-year, that has significantly affected or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future reporting periods.