



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

Dear Sirs

***CANNING BASIN PERMIT 5/07-8 EP PROSPECTIVITY ASSESSMENT
AND POTENTIAL IMPACTS ON BACKREEF AREA***

Oil Basins Limited (ASX codes OBL and OBLOA or the Company) recently reported on encouraging developments in relation to its joint venture 5/07-8 EP in the Canning Basin. Oil Basins Limited announced that effective from 25 March 2010, the Company has reached a formal agreement with its WA Permit Application 5/07-8 EP joint venture partner Backreef Oil Pty Limited (Backreef Oil) for Oil Basins' appointment as CSG Operator Designate Permit 5/07-8 EP.

The permit interests upon award will be held 50% each by Oil Basins and Backreef Oil respectively.

As previously stated, the Company's appointment as CSG Operator Designate Permit 5/07-8 EP is subject to the usual regulatory and stakeholder consents and also to finalisation and formal issuance of the permit. At all times, all WA Department of Mines and Petroleum, Native Title and Environmental submissions and communications will go through Backreef Oil as overall permit Operator on award.

As CSG Operator Designate Permit 5/07-8 EP, OBL will, on behalf of its partner Backreef Oil, now manage and seek farmin interest in the future CSG Rights within Permit 5/07-8 EP and also work actively to assist Backreef Oil in Native Title discussions. As part of the agreement it was mutually agreed by both parties that Oil Basins was the appropriate group to take on this important and immediate role.

The Company is pleased with its appointment as CSG Operator Designate Permit 5/07-8 EP. In late 2009 and during 2010 we commenced collating available information on CSG in the Canning Basin. As previously advised a 1960's vintage Theiss Brothers coal drilling assessment showed that we have coal from the western flank to the eastern flank of the permit. The coal is understood to be sub-

bituminous thermal Permian coal similar to Surat Basin coal measures successfully exploited to date by the large Queensland CSG operators. The Company believes that these coal measures might be the right setting for a CSG pilot development which is strategically situated nearby to the recently announced Kimberley LNG Terminal at James Price Point (a new coastal harbour proposed by the WA Government some 60km north of Broome). OBL is confident that, given the strategic size and setting of the Permit within an established hydrocarbon system and the strategic location of Permit 5/07-8 EP to the proposed nearby LNG Terminal, it will be able to attract third party expressions of interest from experienced CSG operators.

The Company is presently pressing on with its data gathering and assessment of relevant previous coal exploration and petroleum well data in 5/07-8 EP, which is believed to be the first modern study of CSG prospectivity in this part of the Fitzroy Trough region within the Canning Basin.

In addition OBL has beneficial rights to 80% (increasing to 90%) of another block to the east, the Backreef Area, that is drill ready for a deeper stratigraphic target and we may seek to widen our CSG assessment to include this location as well. OBL's intention there is to drill Backreef-1 during 2010 and to also assess its overall 'gas prospectivity', which may now include both assessment of CSG and Shale Gas plays in addition to the deeper prognosed oil target defined by seismic inversion (see the Company's ASX Announcement dated 18 February 2009 – Independent Expert Report of Backreef Area). Again, this assessment will be conducted in-house and, after consulting the titleholder and relevant stakeholders, OBL will make an appropriate ASX release.

The Company believes that these overall prospectivity attributes at both 5/07-8 EP and the Backreef Area may create significant new investor interest in the Canning Basin.

Since listing, the Company has increased its leverage across all of its assets from near zero to circa 330 MMBOE net prospective resources at a very modest price (refer to the Company's AGM announcement 25 November 2009). Prospective 'new play types' such as Coal Seam Gas (CSG) and potentially Shale Gas within its prospective Canning Basin assets are not reflected in the above net prospective resources.

Yours faithfully

A handwritten signature in black ink, appearing to read "Neil F. Doyle". The signature is fluid and cursive, with the first name "Neil" and the last name "Doyle" clearly legible.

Neil Doyle, SPE, SME
Director

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