



18 August 2010

ASX Limited  
Rialto  
Level 45 South Tower  
525 Collins Street  
Melbourne Vic 3000

Dear Shareholders and Optionholders

Further to the announcement by Oil Basins Limited (Company) on Tuesday 17 August 2010 regarding the proposed non-renounceable rights issue to shareholders (Rights Issue), the Company wishes to provide shareholders with the details of the Rights Issue.

Under the Rights Issue, the Company will offer its shareholders, whose registered addresses are within Australia and New Zealand (Eligible Shareholders) one (1) new fully-paid ordinary share for every one (1) fully paid ordinary share held as at 5:00pm on Thursday 26 August 2010 (Rights Issue Share) with one (1) free new option (each with an exercise price of \$0.04 and an expiry date of 30 June 2014) (Rights Issue Option) for every four (4) Rights Issues Shares subscribed for. The issue price for the Rights Issue Shares will be \$0.04. Fractional entitlements will be rounded down to the nearest whole number and the Rights Issue Shares will rank equally with the Company's fully paid ordinary shares on issue.

Shareholder approval of the Rights Issue is not required. The Company will despatch to Eligible Shareholders the Rights Issue Prospectus, setting out the terms of the Rights Issue together with a personalised Entitlement and Acceptance Form, on or about Monday 30 August 2010. Eligible Shareholders should read the Prospectus carefully.

The Rights Issue is fully underwritten by Patersons Securities Limited and will result in the issue of 131,545,267 Rights Issue Shares and 32,886,316 Rights Issue Options, to raise \$5,261,810 before costs.

The funds raised by the Rights Issue will be used for funding drilling and completion costs to earn a 90% interest in Backreef-1, exploration costs including CSG & Shale Gas assessment, advancing Native Title negotiations in Canning Basin permit 5/07-8 EP, and general working and administrative capital.

In accordance with the ASX Listing Rules, the Company has decided that the Rights Issue will not be extended to shareholders with registered addresses outside Australia or New Zealand as the Company has formed the view that it would be unreasonable to extend the offer in such a way having regard to:

1. the number of shareholders outside Australia and New Zealand as a proportion of the total shares of the Company;
2. the number and value of securities to be offered to shareholders outside of Australia and New Zealand; and
3. the costs of complying with the legal requirements and requirements of regulatory authorities in overseas jurisdictions.

The Prospectus has been lodged with the Australian Securities and Investments Commission, New Zealand Registrar of Companies and ASX and is available on the ASX website at [asx.com.au](http://asx.com.au) for inspection.



## Optionholders

Under the terms of the existing options you currently hold, there is no entitlement to participate in the Rights Issue unless you exercise your options and are entered on to the register as a shareholder on or before the Record Date. Under the terms of the options you are entitled to receive seven (7) days notice of the Rights Issue. The purpose of this letter is to give you the notice in order to allow you to participate in the Rights Issue should you wish to do so.

If you are not a shareholder and wish to participate in the Rights Issue, it will be necessary for you to exercise all or part of your options, and the shares issued on the exercise of those options must have been allotted to you before the Record Date. If you wish to do so, you should complete a Notice of Exercise of Options (attached) and lodge that notice with Computershare Investor Services Pty Limited (Computershare), together with your payment for the number of shares you wish to take up. Notice of exercise of your options and payment of the exercise price of options should be received by Computershare on or before Tuesday 24 August 2010 as holders lodging notices of exercise after that date cannot be assured of the allotment of shares by the Record Date.

If you do not wish to participate in the Rights Issue in respect of your options, you do not need to take any action. Before deciding whether to exercise any or all of your options, you should read the announced Prospectus in its entirety and if any doubt consult your professional advisor. This letter is only intended to inform you of your rights in relation to your options. This letter is not an offer or an invitation to acquire shares in Oil Basins Limited or to participate in the Rights Issue.

## Timetable \*

The proposed timetable for the Rights Issue is as follows:

Initial announcement of Rights Issue, lodgement of Appendix 3B and Prospectus	Tues 17 Aug 2010
Despatch of letter to shareholders	Wed 18 Aug 2010
"Ex" Date (i.e. date from which securities commence trading without the entitlement to participate in the Rights Issue)	Fri 20 Aug 2010
Record Date (i.e. date for determining entitlement to participate in the Rights Issue)	Thu 26 Aug 2010
Despatch of Rights Issue offer document and personalised Entitlement and Application Form	Mon 30 Aug 2010
Closing Date	Mon 13 Sept 2010
Company notifies ASX of under subscriptions	Thu 16 Sept 2010
Allotment of Rights Issue Shares	Tue 21 Sept 2010
Despatch of holding statements	Tue 21 Sept 2010

\* These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and other applicable laws, to vary the dates of the Rights Issue, including extending the Closing Date/s or accepting late applications, either generally or in particular cases, without notifying you. You are encouraged to submit your application as soon as possible. Any extension of the Closing Date/s will have a consequential effect on the date of the issue of the securities.

Yours faithfully  
**OIL BASINS LIMITED**

**MELANIE LEYDIN**  
Company Secretary

# Oil Basins Limited

ABN 56 006 024 764



Please enter your registration details here

Please enter your SRN here

## Notice of Exercise of Options

To the Directors, Oil Basins Limited ("Company")

<insert quantity>

I/We being the registered holder(s) of the options(s) hereby exercise my/our option(s) to subscribe for fully paid shares in the capital of the Company.

I/We enclose application money of \$A being \$A \_\_. \_\_ for each fully paid share applied for.

I/We request you to register me/us as the holder of the shares to be allotted and I/we agree to accept such shares subject to the Company's Constitution.

I/We authorise you to act in accordance with my/our instructions.

**CHEQUES MUST BE MADE PAYABLE TO OIL BASINS LIMITED**, crossed "Not Negotiable" and drawn on an Australian bank or financial institution, and denominated in Australian currency.

Please complete the following payment details:

DRAWER	BANK	BSB NO. OR BRANCH NAME	AMOUNT
			\$
			\$

**Sign Here – This section must be signed.**

**Individual or Securityholder 1**

**Director**

**Securityholder 2**

**Director/Company Secretary**

**Securityholder 3**

**Sole Director and Sole Company Secretary**

*Note: when signed under Power of Attorney, the attorney states that they have not received a notice of revocation. Oil Basins Limited needs to sight a certified copy of the Power of Attorney.*

**Date - Day    Month    Year**

/    /

**Signature(s)**    You must sign this form as follows:

**Joint Holding:**    where the holding is in more than one name, all of the securityholders must sign.

**Power of Attorney:**    to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:**    where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204 of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Lodgement Instructions

The application for shares on exercise of the options with the appropriate remittance should be lodged at : OIL BASINS LIMITED, SUITE 304, 22 ST KILDA ROAD, ST KILDA VIC 3182.