

**OIL BASINS LIMITED**  
**ABN 56 006 024 764**

**Half-Year Report**  
**for the half-year ended 31 December 2006**

**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)  
Graeme A Menzies (Non-Executive Director)

**Company Secretaries**

Graeme A Menzies  
Melanie J Leydin

**Registered Office**

Suite 304, 22 St Kilda Road  
ST KILDA VIC 3182  
Ph: 03 9692 7222  
Web: www.oilbasins.com.au

**Place of Business**

Suite 304, 22 St Kilda Road  
ST KILDA VIC 3182

**Auditor**

Deloitte Touche Tohmatsu  
Chartered Accountants  
180 Lonsdale Street  
MELBOURNE VIC 3000

**Share Registry**

Computershare Investor Services Pty Ltd  
452 Johnson Street  
ABBOTSFORD 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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## **LETTER FROM THE CHAIRMAN**

Dear Shareholders

On behalf of the Directors of Oil Basins Limited (ASX code OBL - the "Company"), I am pleased to advise you that the Company has as at the date of this Half-Year Report, now satisfactorily secured the Company's formal legal and commercial rights to its initial exploration portfolio which comprises two attractive exploration permits, one in the offshore Gippsland Basin and one in the onshore Canning Basin, with key investment attributes as follows:


- Rights to earn by way of a farmin agreement a total of 12.5% of offshore Vic/P41 – offshore Gippsland Basin, Bass Strait.
- The offshore Vic/P41 permit is a highly prospective permit with three-dimensional seismic defined oil prospects, Kipling, Oscar West and Cotton, all situated either on trend or nearby to significant oil and gas discoveries including the Basker/Manta/Gammy oil and gas fields recently commissioned by operator Anzon Energy Limited (ASX code AZA), the Kipper gas and condensate field (under development by operator ExxonMobil Inc) and the Sole gas field, 100% owned by Santos (ASX code STO). OBL's three prospects contain combined gross prospective resources potential in excess of 1,947 MMBbls (if wholly oil) or 5,208 Bcf (if wholly gas) – all shareholders and investors are reminded to refer to the OBL prospectus for a comprehensive overview of the Vic/P41 permit prospects and the assessed exploration risks.
- Utilising its "FIRST-MOVE ADVANTAGE" the Company has successfully and strategically positioned itself to earn by way of a farmin agreement 35% of the Canning Basin Blina Back Reef Play Joint Venture Area (containing the Backreef-1 Prospect) and now has formal rights to increase this stake to 50%.
- The Backreef-1 Prospect is located within a unique and previously undrilled area called the "Kimberley Downs Embayment" in close proximity to the under-utilised Blina Oil Hub. Gross prospective resources potential has been estimated at 270 MMBbls resulting in a net upside assessed at 94 MMBbls (based upon 35% net share) to 135 MMBbls (based upon 50% net share) – all shareholders and investors are reminded to refer to the OBL prospectus for a comprehensive overview of the Blina Back Reef Play Prospect and the assessed exploration risks.

Both farmins to date illustrate the Company's stated business model of securing (at modest cost) strategic interests close to both known proven oil and existing infrastructure. Importantly, both assets (when drilling takes place) will offer shareholders exceptional leverage to potential oil discoveries.

With the Company's legal rights to its exploration properties now secure, it's the Company's intention to seek to create shareholder wealth by way of farmouts, asset swaps and simple straight forward cash trades so as to monetise the Company's significant leverage to 'attractive assets'.

Finally, OBL regards the recently announced proposed acquisition of Terratek Oil Tools Pty Ltd by Arc Energy Limited (ASX code ARQ) as both a significant and positive development for its Canning Basin interests 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 possible operator of the Blina Back Reef Play Joint Venture Area and the possible use of their contracted rig in the timely drilling of the Backreef-1 Prospect.

Yours sincerely



Kim McGrath  
Chairman

## DIRECTORS' REPORT

The Directors of Oil Basins Limited submit herewith the financial report for the half-year ended 31 December 2006. 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 Graeme A Menzies

### REVIEW OF OPERATIONS

The consolidated net loss after income tax for the half year was \$191,687 (2005: loss of \$38,134).

#### Operational Highlights

During the half-year the Company:

- Raised \$2,528,000 before costs through the issue of 12,640,000 ordinary shares and 6,319,991 options.
- Signed a formal Farmin Agreement with Eagle Bay Resources NL in respect of a 7.5% interest in petroleum exploration permit Vic/P41 in Bass Strait. Pursuant to the Farmin Agreement the Company will, to complete the earn-in of its interest, be required to:
  - i) Fund 18.75% of the costs associated with the drilling of the next well in Vic/P41.
  - ii) Pay pro rata 7.5% of the Vic/P41 joint venture costs incurred between 3 April 2006 and the date of commitment to drill the next well in Vic/P41.

The farmin well-promote costs (18.75%) due by OBL with respect to the 7.5% interest will be capped at an amount of \$2,437,500. Thereafter, such well costs shall be funded pro rata as to 7.5% by OBL.

- The Company exercised an Option with Moby Oil and Gas Limited and signed a further Farmin Agreement for an additional 5% interest in petroleum exploration permit Vic/P41.
- The Company paid a non-refundable sum of \$333,333 to exercise this Option. Pursuant to the subsequent Farmin Agreement the Company will, to complete the earn-in of its interest, be required to:
  - i) Fund 12.5% of the costs associated with the drilling of the next well in Vic/P41,
  - ii) Pay pro rata 5% of the Vic/P41 joint venture costs incurred between 1 May 2006 and the data of commitment to drill the next well in Vic/P41.

The farmin well-promote costs (12.5%) due by OBL with respect to the 5% interest will be capped at an amount of \$1,650,000. Thereafter, such well costs shall be funded pro rata as to 5% by OBL.

- The Company now has formal rights and obligations to earn a total of 12.5% in respect of petroleum exploration permit Vic/P41 (**note the Company has the legal right but not the obligation to proceed with both of these farmins**).

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- The Company entered into a conditional option agreement with Back Reef Oil to acquire an additional 15% in the Blina Back Reef Joint Venture Area in the Canning Basin on substantially similar terms to the Oil Basins Farmin Agreement dated 29 May 2006.
- The Company has paid \$15,000 to extend this option to 31 March 2007 (**note the Company has the legal right but not the obligation to proceed with this Option**).

**PROJECTS**

The Company is intending to become involved in exploration for oil and gas initially in the offshore Gippsland Basin waters of south-eastern Australia and the onshore Canning Basin of Western Australia (refer to Figure 1) and has entered into formal farmin agreements so as to attain its initial project interests.



**Figure 1**  
Company's Exploration Interests

**GIPPSLAND BASIN – VIC/P41**

**Company's Interests and Summary of Farmin Terms**

Pursuant to the two Farmin Agreements executed prior to ASX listing on 23 August 2006, the Company has the Rights but not the obligation to earn-in up to 12.5% of this permit.

The potential impact of the two OBL conditional farmin agreements to joint venture participants in offshore Gippsland Permit Vic/P41 in Bass Strait are as follows:

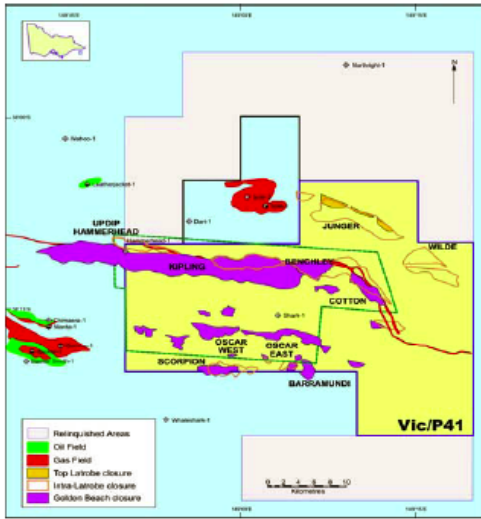
Bass Strait Oil Company Ltd (ASX code BAS)	45% (Operator)
Moby Oil & Gas Limited (ASX code MOG)	30% <u>reducing to</u> 25%
Eagle Bay Resources NL (ASX code EBR)	25% <u>reducing to</u> 17.5%
<b>Oil Basins Limited (or Nominee)</b>	<b>Potential to <u>increase</u> to 12.5%</b>

So as to complete the earn-in of its interest, the Company will be required to pay EBR an amount of \$2,437,500 and MOG the amount of \$1,650,000 and has until the Commitment Well is actually drilled (ie presently by Permit Year ending 20 September 2010).

- Until such payment is made, both EBR and/or MOG hold the Vic/P41 JVOA voting rights and the Company merely has status as an observer at Vic/P41 Joint Venture meetings.
- During the quarter, both EBR and MOG formally registered with the Designated Authority, on behalf of the Company, the fact of EBR's, MOG's and the Company's dealing in the Vic/P41 permit.

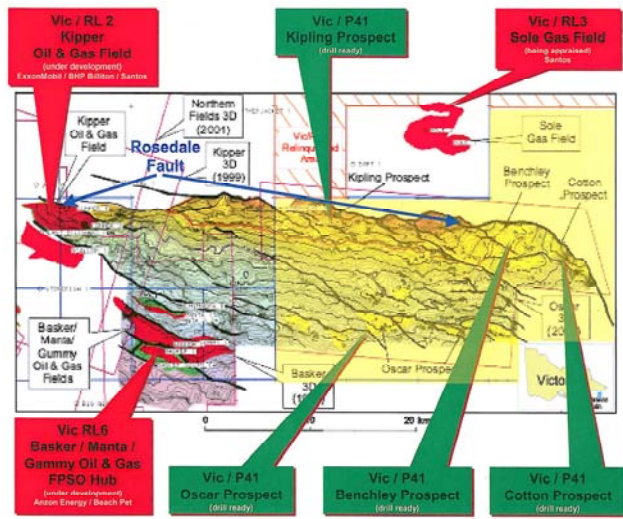
**Renewal of Permit Vic/P41**

- On 26 October, 2006 BAS announced that the Designated Authority has granted the Vic/P41 Joint Venture a new five year term. The renewed permit commenced 20 September 2006 and, after relinquishment, is now comprised of 16 graticular blocks, including the 2005 Oscar 3D seismic survey area (refer to Figure 2).



**Figure 2**

Location of Permit Vic/P41 Offshore Gippsland Basin  
 (source BAS ASX Announcement 26 October 2006)



**Figure 3**

Close proximity to new Oil & Gas Fields under Development  
 (source OBL AGM Presentation 23 November 2006)

- The work programme for the Vic/P41 second 5 year renewal are as follows:

Period Ending	Permit Year	Programme	Gross Cost (net Prorata Cost)
20 September 2007	1	3D seismic interpretation – quantitative geophysics, AVO etc	\$350,000 (net \$43,750)
20 September 2008	2	Geological & geophysical studies	\$350,000 (net \$43,750)
20 September 2009	3	250km 2D seismic and commercial studies	\$1,000,000 (net \$125,000)
20 September 2010	4	Drill one well (Commitment Well)	\$15,000,000 (net \$1,875,000)
20 September 2011	5	Interpretation and assessment of results	\$250,000 (net \$31,250)

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- Work programme commitments are considered light by industry standards and present Year 1 expenditures attributable to OBL have, at the date of this report, now mostly been met (including all pro-rata back-cost payments to both EBR and MOG as part of the farmin agreements with EBR and MOG).

**Key Attributes of Exploration Asset**

- The Operator BAS has previously announced that interpretation of the Oscar 3D data has detailed a number of high-potential prospects, including on-trend analogues of the Basker/Manta/Gammy (BMG) and Kipper oil and gas fields. Strategically both fields are under development (**refer to Figure 3**) and any commercial discoveries within Vic/P41 may be tied into these nearby developments.
- Permit Vic/P41 is regarded as a highly prospective (medium risk) permit with three drill-ready oil and gas prospects (Kipling, Oscar West and Cotton) delineated by the recent 2005 Oscar 3D seismic survey and assessed by the Operator, of containing combined gross prospective resources potential in excess of 1,947 MMbbls (if wholly oil) or 5,208 bcf (if wholly gas).
- Significantly no royalties are payable on commercial discoveries within this permit.
- Permit Vic/P41 is regarded as potentially a good address for discovering commercial hydrocarbons, with nearby discoveries (BMG, Kipper and Sole) nearby and ontrend to Basker-Manta FPSO Oil & Gas Hub presently under commissioning during January 2007 as it builds up oil production to circa 25,000 bopd (with potential for future nearby discovery tie-backs to this independent production facility).
- The Operator, BAS is actively now seeking expressions of interest from major exploration and production companies to farmin into the permit, but has indicated that the tight offshore market for suitable drilling rigs (i.e. a semi-submersible is likely required due to water depth constraints) may push any near-term Vic/P41 permit drilling activity well into late 2007 or 2008.

**CANNING BASIN - BLINA BACK REEF PLAY JOINT VENTURE AREA**

Company's Interests and Summary of Farmin Terms

On 30 May 2006, the Company entered into a Farmin Agreement with unlisted Backreef Oil Ltd and Toronto listed Golden Dynasty Resources Ltd (Golden Dynasty) to farmin into the Blina Back Reef Play Joint Venture Area (**Figures 4 to 7**), which covers some 354 square kilometres contained within contiguous segments of Production Licence L6 and Exploration Permits EP 129, Parts R2 & R3. This acreage is situated close to the existing Blina, Sundown and West Terrace oilfields.

Unlike many prospects previously drilled in the Canning Basin, the target of the Blina Back Reef Play Prospect is not a Devonian reef but a postulated and previously undrilled Devonian aged clastic turbidite (refer to Figures 4 and 5).

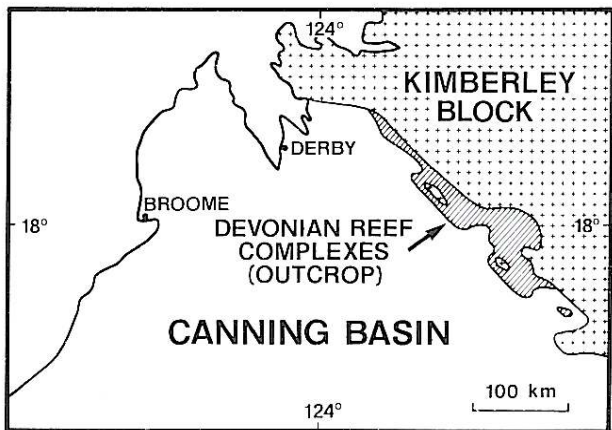
The Prospect is located within a unique area called the "Kimberley Downs Embayment" which is a half-graben forming a restricted marine embayment. The embayment is bounded by the Harold and Blina carbonate platform and reefal systems to the southwest and northeast respectively, opening to the ancient Devonian sea to the southeast.

**Key Attributes of Exploration Asset**

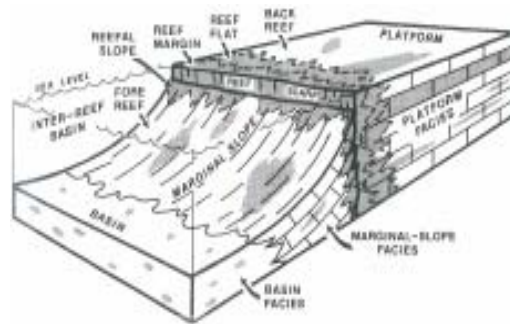
Key features of the Oil Basins Farmin Agreement (and subsequent associated agreements) which has been further ratified on 4 January 2007, are summarised as follows:

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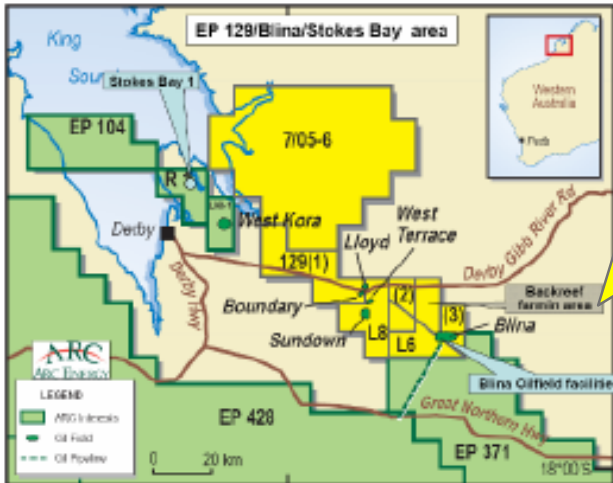
- Via the successful raising of a minimum of \$2.5 million and listing on the ASX on 23 August 2006, the Company attained the right to earn an initial net 35% interest in the Backreef Play Prospect, at a modest net cost presently estimated at \$1.050 million. To earn this interest an additional payment of \$1.015 million is required
- The Blina Back Reef Play Prospect (**refer to Figures 6 and 7**) as planned is wholly situated within a portion of existing Production Licence L6 – which was recently renewed by the Western Australian Department of Industry Resources on 19 May 2006 for 21 years.
- The Prospect is also located in close proximity to the under-utilised existing Blina Oil Hub comprising pumping and transport infrastructure and a crude oil pipeline. On 6 December 2006, Arc Energy Limited (ASX code ARQ) announced their intention to acquire Terratek, the Operator of the Blina Oilfield and the Blina production facilities from Golden Dynasty.
- As the proposed Blina Backreef Play Prospect (**i.e. the Backreef-1 Prospect**) is intended to be drilled within existing Production Licence 6 (now in-part assigned to OBL), any significant native title and environmental protection issues are likely to be quickly overcome in the event of drilling success. Consequently, an oil discovery is likely to be rapidly developed using the existing infrastructure located conveniently nearby.
- In addition to the right to earn 35% held by OBL, Golden Dynasty / Terratek consented to an option for OBL to acquire a further 15% from Backreef's remaining 35% participating interest in the Blina Back Reef Play Joint Venture Area to OBL. The exercise of this option will require a further payment of \$435,000.
- The Company is pleased to report that at the time of this report, it has now successfully acquired the right to earn a 35% net interest (with ability to attain 50%) in potentially a highly-prospective but modest-cost 270 MMbbl oil target defined by the Blina Backreef Play Prospect – a net upside assessed at 94 MMbbls (based upon 35% net share) to 135 MMbbls (based upon 50% net share).



**Figure 4**  
Geological Location Map



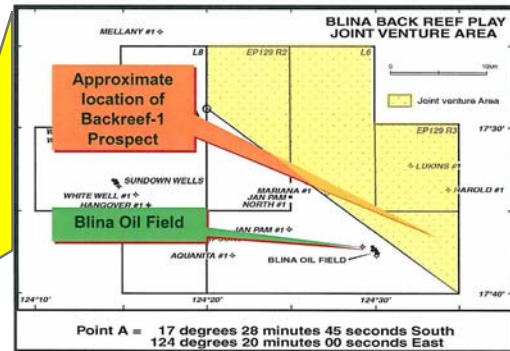
**Figure 5**  
Schematic of Prognosed Stratigraphic Trap



**Figure 6**

Location of Canning Basin Interests highlighting Arc Energy's Canning Interests & the Backreef Farmin Area

(source ARQ ASX Announcement 6 December 2006)



**Figure 7**

Blina Back Reef Play Joint Venture Area (Expanded View)

### Formal Execution of Backreef Oil Farmin Agreement

On 8 September 2006, Golden Dynasty Resources Ltd announced that they had acquired 100% of Terratek Oil Tools Pty Ltd (Terratek) from European Gas Limited (ASX code EPG) which removed one of the preconditions to finalising the Oil Basins Farmin Agreement as contemplated on 30 May 2006.

On 29 September 2006 EPG transferred to Golden Dynasty 100% of the issued capital in Terratek. Upon Golden Dynasty becoming the majority shareholder in Terratek, Terratek approved the content and form of the Backreef Oil Farmin Agreement and it was duly executed by Terratek and Backreef on 12 October, 2006. On 27 December 2006, Terratek provided Backreef and OBL with a ratification and clarification to the 12 October 2006 agreement and OBL holds this agreement as the new operative document for the Backreef Oil Farmin.

### Execution of Deed of Variation and Assignment Agreement with Golden Dynasty, Terratek and Backreef Oil.

On 4 January 2007 OBL formally executed a formal Deed of Variation and Assignment Agreement with Golden Dynasty, Terratek and Backreef whereby Oil Basins is (subject to regulatory approvals) immediately assigned the right to earn 35% of the Blina Back Reef Play Joint Venture Area subject to the terms of the earlier Oil Basins Farmin Agreement executed on 30 May 2006.

Under the executed Variation Deed, Terratek consents to a an option for OBL a aquire a further 15% from Backreef's remaining 35% participating interest in the Blina Back Reef Play Joint Venture Area to OBL. The assignment is subject to OBL exercising an option to acquire the 15% by no later than 31 March 2007 (the "Option").

Provided OBL exercises the Option, OBL will be entitled to have the exclusive right but not the obligation to the 15% participating interest by contributing a further \$450,000.00 towards completion of the Drilling Program (as defined under the earlier Oil Basins Farmin Agreement executed on 30 May 2006).

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Upon Backreef satisfying its obligations under the Backreef Farm In (completion of the Drilling Program or funding the Drilling Program to \$1.5 million) and provided OBL exercises the Option, the participating interests of the parties shall be:

Terratek	30%
Backreef	20%
<b>Oil Basins Limited</b> (or Nominee)	<b>50%</b>

Under the executed Variation Deed, Terratek also consents to the assignment by OBL of all or some of its participating interest to a wholly owned subsidiary without having to obtain Terratek's further consent. At the date of the report no assignment has been made.

These agreements have been formally lodged with the Western Australian regulatory authorities and also recognise royalties maybe payable to third parties European Gas Limited (ASX code EPG) and Budside Pty Ltd (the latter under certain conditions).

**Impact of Agreements**

Should the Option be exercised and OBL satisfies the farmin obligations, the Blina Back Reef Play Joint Venture Area participants will be as follows:

Terratek*	30%
Backreef	20%
<b>Oil Basins Limited</b> (or Nominee)	<b>50%</b>

*\* Terratek is presently 100% owned by Golden Dynasty Resources Ltd, but is in the process of being acquired by Arc Energy Limited (ASX code ARQ) – Golden Dynasty Resources Ltd has in additional an Option to retain 10% direct interest from ARQ; refer to ARQ's complete announcement to the ASX dated 6 December 2006.*

The technical information quoted has been compiled and/or assessed by Mr Geoff Geary who is a professional geologist (Bachelor Science – Geology) with over 26 years standing and who is also a Member of Petroleum Exploration Society of Australia. Mr Geary has consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration under s.307C of the *Corporations Act 2001* in relation to the review of the half-year is included on page 11.

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  
23 February 2007

**OIL BASINS LIMITED**  
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**INDEPENDENCE DECLARATION TO THE MEMBERS OF OIL BASINS LIMITED**

**OIL BASINS LIMITED**  
**ABN 56 006 024 764**

**REVIEW REPORT TO THE MEMBERS OF OIL BASINS LIMITED**

**OIL BASINS LIMITED  
ABN 56 006 024 764**

**REVIEW REPORT TO THE MEMBERS OF OIL BASINS LIMITED**

**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,

23 February 2007

**OIL BASINS LIMITED**  
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**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Note	CONSOLIDATED ENTITY	
		Half-year ended 31 December 2006 \$	Half-year ended 31 December 2005 \$
Revenue		-	-
Other Income		18,287	371
Corporate expenses		(78,352)	-
Employment expenses		(114,964)	-
Administrative expenses		(16,658)	(38,505)
<b>Loss before tax for the period</b>		<u>(191,687)</u>	<u>(38,134)</u>
Income tax expense		-	-
<b>Loss for the period</b>		<u>(191,687)</u>	<u>(38,134)</u>
		<b>Cents per share</b>	<b>Cents per share</b>
<b>Loss per Share</b>			
Basic loss per share		(0.6)	(0.3)
Diluted loss per share		(0.6)	(0.3)

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

**OIL BASINS LIMITED**  
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**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

	<b>Note</b>	<b>CONSOLIDATED ENTITY</b>	
		<b>31</b>	<b>30</b>
		<b>December</b>	<b>June</b>
		<b>2006</b>	<b>2006</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents		1,255,213	146,741
Trade and other receivables		7,789	13,334
Other current assets		35,863	158,427
<b>Total Current Assets</b>		<u>1,298,865</u>	<u>318,502</u>
<b>Non-Current Assets</b>			
Other non-current assets		928,038	85,000
<b>Total Non-Current Assets</b>		<u>928,038</u>	<u>85,000</u>
<b>Total Assets</b>		<u>2,226,903</u>	<u>403,502</u>
<b>Current Liabilities</b>			
Trade and other payables		89,816	185,945
<b>Total Current Liabilities</b>		<u>89,816</u>	<u>185,945</u>
<b>Total Liabilities</b>		<u>89,816</u>	<u>185,945</u>
<b>Net Assets</b>		<u>2,137,087</u>	<u>217,557</u>
<b>Equity</b>			
Issued Capital		3,726,194	1,620,991
Reserves		594,014	588,000
Accumulated losses		(2,183,121)	(1,991,434)
<b>Total Equity</b>		<u>2,137,087</u>	<u>217,557</u>

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

**OIL BASINS LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

<b>CONSOLIDATED</b>				
	Issued Capital	Retained Earnings	Option Reserves	Total
Equity as at 1 July 2005	707,615	(654,403)	-	53,212
Loss for the period (a)	-	(38,134)	-	(38,134)
<b>Equity as at 31 December 2005</b>	<b>707,615</b>	<b>(692,537)</b>	<b>-</b>	<b>15,078</b>
Equity as at 1 July 2006	1,620,991	(1,991,434)	588,000	217,557
Loss for the period (a)	-	(191,687)	-	(191,687)
Granting of Options	-	-	6,014	6,014
Issue of Shares	2,528,000	-	-	2,528,000
Costs of Capital Raising	(422,797)	-	-	(422,797)
<b>Equity as at 31 December 2006</b>	<b>3,726,194</b>	<b>(2,183,121)</b>	<b>594,014</b>	<b>2,137,087</b>

(a) Loss for the period equals total recognised income and expense for the period.

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 CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	<b>CONSOLIDATED ENTITY</b>	
	<b>Half-year ended 31 December 2006 \$</b>	<b>Half-year ended 31 December 2005 \$</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	-	-
Interest received	18,287	371
Payments to suppliers and employees	<u>(171,980)</u>	<u>(38,903)</u>
Net cash used in operating activities	<u>(153,693)</u>	<u>(38,532)</u>
<b>Cash Flows From Investing Activities</b>		
Payments for petroleum exploration rights	<u>(843,038)</u>	-
Net cash used in investing activities	<u>(843,038)</u>	-
<b>Cash Flows From Financing Activities</b>		
Proceeds from issue of equity securities	2,528,000	-
Payment for share issue costs	<u>(422,797)</u>	-
Net cash flows provided by financing activities	<u>2,105,203</u>	-
<b>Net Increase (Decrease) in cash and cash equivalents</b>	<b>1,108,472</b>	<b>(38,532)</b>
Cash and cash equivalents at beginning of the period	<u>146,741</u>	<u>58,065</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>1,255,213</u></b>	<b><u>19,533</u></b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

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 2006 annual financial report for the financial year ended 30 June 2006, other than as stated below.

#### Adoption of new and revised Accounting Standards

In the current year, 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 its operations and effective for the annual reporting periods on or after 1 July 2006.

This has resulted in no changes to the Groups accounting policies or reported balances.

### 2. SEGMENT INFORMATION

Oil Basins Limited operates in the oil and gas industry within Australia.

### 3. ISSUE OF EQUITY SECURITIES

During the half-year reporting period, Oil Basins Limited issued 12,640,000 ordinary shares at an issue price of \$0.20 and 6,319,991 options pursuant to an entitlements offer. This entitlements offer raised \$2,528,000 before costs

During the half-year reporting period, Oil Basins Limited issued 250,000 unlisted options, expiring 30 September 2009 exercisable at \$0.20 in accordance with the Technical Services Agreement. These share options had a fair value at grant date of \$0.0241 per share option.

The fair value of the options granted is estimated as at the grant date using a binomial model taking into account the terms and conditions upon which the options were granted.

The options have been independently valued and the key assumptions used were a 80% volatility rate, a \$0.102 market value for the shares, a risk free interest rate of 5.895% and a term of the options of 2.85 years.

#### 4. ACQUISITION OF ENTITIES

During the half-year, Oil Basins Limited incorporated the following subsidiaries:

Name of Entity	Country of Incorporation	Ownership Interest	
		31 December 2006 %	31 December 2005 %
<b>Parent Entity</b>			
Oil Basins Limited	Australia		
<b>Subsidiaries</b>			
Oil Basins Vic/P41 Pty Ltd	Australia	100%	-
Oil Basins Expro Pty Ltd	Australia	100%	-
Oil Basins (Gippsland) Pty Ltd	Australia	100%	-

These subsidiaries have been dormant since incorporation (15 August 2006) to the date of this report.

#### 5. CONTINGENCIES AND COMMITMENTS

##### Technical Services Agreement

The Company has entered into an Agreement to provide specialist geological technical services.

Expenditure commitments due under this agreement are summarized below.

Expenditure Commitments	Consolidated	
	2006 \$	2005 \$
Not longer that 1 year	48,000	-
Longer that 1 year and not longer that 5 years	24,000	-
Longer than 5 years	-	-
	72,000	-

##### Farmin Agreements

For the Company to earn full participation rights in Petroleum exploration ventures, the Company will be required to make payments in accordance with Farmin agreements.

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

Should the Company earn full participation rights with the exploration ventures the following minimum payments will be required:

Vic/P41 (from Moby Oil & Gas Ltd)	\$1,650,000
Vic/P41 (from Eagle Bay Resources N.L.)	\$2,437,500
Blina Backreef (35% farmin interest)	\$1,015,000
Blina Backreef (15% option)	\$435,000

**6. EVENTS AFTER THE BALANCE SHEET DATE**

On 4 January 2007, the Company has executed by way of a formal Deed of Variation and Consent to Assignment between Golden Dynasty, its wholly owned subsidiary Terratek, Backreef and OBL, whereby OBL (or its nominee) has now been formally assigned a 35% undivided participating interest in the Blina Back Reef Play Joint Venture Area and the Right (but not the obligation) to acquire a further 15% undivided participating interest in the Blina Back Reef Play Joint Venture from Backreef.

The Company has been advised that on 16 January 2007, the Designated Authority, has formally approved the Company's rights and entitlements in Vic/P41 in the manner of the executed farmin agreements between the Company and Eagle Bay Resources NL and Moby Oil and Gas Limited.