



OIL BASINS LIMITED

ABN 56 006 024 764

1 August 2008

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

Dear Sirs

OIL BASINS LIMITED COMMENCES LEGAL ACTION AGAINST ARC ENERGY LIMITED

The following ASX Release provides an outline of a legal action brought today by Oil Basins Limited (ASX code **OBL** or the Company) against Arc Energy Limited (ASX code **ARQ**). The action, brought in the Supreme Court of Western Australia, is centred around ARQ's use of the Company's information which OBL supplied in good faith and protected under a Confidentiality and Non-Circumvention Agreement lasting three years signed by ARQ in November 2006. OBL contends that geological/geophysical analysis, prognosed hydrocarbon play types and commercial opportunities in the Canning Basin, including the Blina Back Reef Joint Venture Play opportunity and its value, were made known to ARQ and they have subsequently acted in breach of their obligations.

OBL has sought substantial damages and other relief against ARQ.

This release is provided so as to fully inform the market.

Yours sincerely

Kim McGrath
Chairman

Summary of Oil Basins Limited's claim against Arc Energy Limited

OBL is and was at all material times the owner of or otherwise beneficially entitled to deal with certain information of a confidential character relating but not limited to the tenements geologically and/or geographically proximate to or affected by what is described as Blina Back Reef Play Joint Venture Area, located in the Canning Basin Western Australia, including information in relation to parties holding certain assets including an interest in those tenements, such as a Canadian company Golden Dynasty Resources Ltd ("Golden Dynasty"), and its then Australian subsidiary Terratek Drilling Tools Pty Limited ("Terratek") (**confidential information**).

OBL and ARQ entered into a binding three year Confidentiality and Non-Circumvention Agreement, dated 9 November 2006 (**Agreement**), pursuant to which ARQ specifically agreed:

- not to disclose the confidential information without OBL's consent; and
- not to knowingly circumvent OBL in its dealings with any other party with which OBL may have dealings in respect of the subject matter of the confidential information.

The confidential information was communicated by OBL to ARQ for the sole and limited purpose of negotiating an agreement to be entered into between OBL and ARQ for attaining a joint venture or direct interest in the Blina Back Reef Play Joint Venture Area, either by way of conventional farmin and/or via a swap of interests from the defendant for an interest held by the plaintiff, and for no other purpose.

In breach of the Agreement and/or in breach of confidence, ARQ unlawfully made use of the confidential information and/or unlawfully circumvented the Agreement, in that it entered into and announced to the ASX on 6 December 2006 that it had completed negotiations to purchase from Golden Dynasty the shares held in Terratek for a consideration of \$2.8 million, plus a net well head royalty of 2% (royalty).

In respect thereof and arising therefrom OBL claims:

- Transfer of ARQ shares in Terratek to OBL and all ARQ's joint and several interests in, and titles to:
 - petroleum licences, leases and permits in Western Australia known as L6, L8, PL7, EP129 and 7/05-6 EP; and
 - all associated plant, equipment and infrastructure; together with the payment of all fees, charges, duties and taxes in respect thereof.
- Alternatively, damages.
- Alternatively, an inquiry as to damages for breach of confidence.
- Further, or alternatively, an account of all profits made by ARQ with the use of the confidential information.
- An order for the appointment of a receiver to collect and receive all the profits made by the defendant from the use of the confidential information and an order for the giving of all proper directions for that purpose.
- Interest on damages pursuant to s32 of the *Supreme Court Act 1935*, or under the equitable jurisdiction of the Court.
- Such other or further relief as the Court deems just; and
- Costs.

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