



OIL BASINS LIMITED

ABN 56 006 024 764

29 November 2010

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

Dear Sirs

ASX ANNOUNCEMENT / MEDIA RELEASE

POTENTIALLY SIGNIFICANT NEW OIL PLAY IN THE CANNING BASIN CONFIRMED BY PETROPHYSICAL ASSESSMENT OF BACKREEF-1 WIRELINE LOGS

Oil Basins Limited (ASX codes **OBL**, **OBLOA** and **OBLOB**, or the **Company**) makes the following simultaneous ASX Announcement and Media Release to keep both the market fully informed.

Further to OBL's Announcement on 1 November 2010 that the recently drilled Backreef-1 well would be cased and suspended pending a more comprehensive petrophysical assessment, OBL advises that this independent report has now been received and contains encouraging results with respect to the likely petroleum potential and a potential extrapolation to a low cost and significant **New Oil Play**. As recently announced, this is now beneficially owned 100% by OBL.

PETROPHYSICAL ASSESSMENT OF BACKREEF-1

OBL engaged Weatherford to assist during field operations and in post-well analysis wireline log interpretation especially for both local expertise in assessing carbonate/dolomite reservoir systems (eg Blina Oil Field) and its highly specialised North American expertise in Unconventional Shale Gas.

Using proprietary Petrolog Advanced Log Analysis and CPX Software, Weatherford's Petrophysics Assessment has concluded the following:

The Lower Laurel Formation 894 to 910mRT is predominantly a tight Limestone with no positive hydrocarbon shows. This is likely to be the effective seal for the hydrocarbon trap delineated by the Backreef-1 well and as such could be an important formation top to map for future exploration within the Kimberley Downs Embayment.

The Yellow Drum Equivalent / Gumhole formation 910 to 1243mRT is similar to the adjacent Blina Oil Field with good porosity dolomites and tight Limestone intervals. An 'effective water saturation' SWirr of 20% with porosity as high as 22% has been calculated using a formation water salinity of 80,000 PPM in the Yellow Drum / Gumhole formation.

Using these petrophysical assumptions, Weatherford estimates the following potential reservoir intervals in the upper zone of hydrocarbon interest situated between 915m to 965mRT within the Yellow Drum Equivalent / Gumhole formations:

- **a possible reservoir interval of around 48.9m,**
- **a possible net oil pay interval of around 39.2m, and**
- **a risked conservative (i.e. unstimulated) moveable oil interval within the lower dolomites of around 3.9m.**

Preliminary analysis of the Unconventional Shale Gas (**USG**) potential of the deeper sections observed in Backreef-1 are, according to Weatherford, presently inconclusive and highly qualitative at best primarily because no cores were cut in the stratigraphic deeper section of Backreef-1 between 1275 to 1800mRT. However, it is noted that wet gas readings (C1 to nC5) did increase in the last 100m section of the hole as Backreef-1 reached its total depth of 1800mRT.

The Company is very encouraged by these petrophysical results for the following reasons:

- The sheer size of the 'unexpected' oil column.
- That it is situated favourably at a comparatively shallow depth (for future low cost exploitation).
- This new oil play appears to be entirely situated within the predominantly dolomitic sections of the Yellow Drum Equivalent and Gumhole Formations and these hydrocarbon reservoirs correlate some 230m shallower (subsea depth) and updip of the similar and nearest offset oil producing zones situated in Blina Oil Field - highly positive factors to the overall prospectivity of the play.
- While contingent resources cannot be established until the reprocessing of the extensive vintage 2D seismic within the Kimberley Downs Embayment feature is complete (expected late 1Q2011), the evident seal and trap appears to be in the Lower Laurel Formation, location of the top of which the Company knows is relatively easy to predict given highly accurate correlations of both prediction to actual observed in the Backreef-1 well.
- Should oil production from these tight dolomitic reservoirs be established/stimulated at economic rates it could potentially be a future 'Company Maker' for OBL.
- While USG potential was a secondary objective of Backreef-1 the previously undrilled formation intervals have now been explored / defined which will assist in the future mapping of the deeper section within the Kimberley Downs Embayment feature prior to a focussed drilling and coring of the deeper shales (possibly by way of a future Farm-In on the deeper >1500m section by proven USG Operators).
- Finally, this exciting new oil play is 100% beneficially owned by OBL.

OBL believes that Canadian operating practice with similar Devonian aged low-energy drive tight dolomite reservoirs represents best practice and during the economic assessment of both production testing and possible stimulation will draw upon either experts or new Farm-In partners with proven expertise.

With the petrophysics report and assessment now essentially complete, the Company has begun scoping the preparations and planning specifically to target this new oil play for rapid production assessment during late 2Q2011 (after attaining the pre-requisite approvals), by either:

- (i) drilling low cost shallow exploration wells to depths less than 1,000m with a mobile rig after selection of future attractive prospects delineated from the reprocessing of the vintage seismic, and/or
- (ii) Re-Entry and then stimulation / production testing of the Backreef-1 cased and suspended well.

Having successfully operated the drilling of the long awaited Backreef-1 well, OBL's focus will now shift during the imminent rainy season to preparing the necessary geological and geophysical assessment of the new oil play the well has delineated.

For more information, please refer in the first instance to the fuller presentation and summary of the petrophysical assessment of the Backreef-1 well which is contained in the Company's Annual General Meeting Presentation Pack dated 29 November 2010.

Yours sincerely



Neil Doyle SPE
Director

Investors can refer to the website www.oilbasins.com.au for more Company information.

ABOUT OIL BASINS LIMITED

Oil Basins Limited (ASX codes **OBL, OBLOA & OBLOB**) is an ASX listed E&P junior and highly leveraged development company, founded in mid-2006 and lead by a highly experienced team of energy professionals with a fairly unique skills set combining:

- Energy sector investment banking (capital raising/project financing, acquisition & divestment and corporate mergers & acquisitions and production hedges/swaps and derivatives).
- Comprehensive operational experience in all facets of upstream and downstream energy sectors – upstream includes all facets of offshore (platform, subsea and FPSO) and onshore conventional oil and gas & CSG / USG developments – downstream includes LPG, LNG, CNG, GtL and power generation.
- Key focus areas are Australia, New Zealand, Papua New Guinea and Indonesia where OBL has particular in-house strengths and the experience and skills set to conduct Basins Studies.
- OBL regularly screens new acreage and farmin opportunities and is presently reviewing production acquisition opportunities.
- After conducting its own in-house technical peer reviews and commissioning Independent expert geologist reports, OBL is presently focusing on farming out all of its acreage interests in the Gippsland, Canning and Carnarvon Basins.
- OBL is Operator on Backreef Area, and designated Operator CSG Permit 5/07-8EP onshore Canning Basin and designated Operator R3, offshore Carnarvon Basin,

DIRECTORS & MANAGEMENT

Kim McGrath LLB	Non Executive Chairman
Neil Doyle SPE	Non Executive Director
Nigel Harvey SPE	Non Executive Director

Melanie Leydin CA	Company Secretary
Geoff Geary PESA	Technical Consultant

The technical information quoted has been compiled, reviewed and/or assessed by Company Director Mr Neil Doyle (from a number of sources) who is a professional engineer (BEng, MEngSc - Geomechanics) with over 30 years standing and a continuous Member of the Society of Petroleum Engineers since 1981 (SPE 25 Year Club Member) and also by Mr Geoff Geary who is a professional geologist (BSc – Geology) with over 27 years standing and who is also a Member of the Petroleum Exploration Society of Australia. Both Mr Doyle and Mr Geary have consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear.

FURTHER BACKGROUND

The Backreef-1 well was the Company's first exploration well and also first as Operator and was drilled, cased and suspended (for future evaluation/stimulation) in a safe manner in 21 days. It cost approximately A\$ 4 million. The well was spudded on 11 October, 2010 and was drilled to a total depth (TD) of 1800m relative to rotary table (RT) on 27 October, 2010, logged cased and suspended (for future evaluation, production testing and/or stimulation) ahead of rig release on 2 November, 2010.

Please note that the Company never intended this well to be open-hole production tested as this procedure is not permitted under the drilling and completion approvals issued by the WA Department of Mines and Petroleum.

The Backreef-1 well reached its Farm-In drill or drop objective of 1500mRT on 24 October 2010 thereby satisfying the earn-in requirement of the Backreef Play Agreement. On 23 November, 2010 OBL announced it had moved to 100% ownership of the Beneficial Rights to the Backreef Area (**Figure 1**). Importantly, it was also the first exploration well ever to be drilled within the Kimberley Downs Embayment area (a natural syncline between two carbonate platforms – namely the Blina carbonate platform and the ancient coastal carbonate platform) within Production Licence L6 (**Figure 2**).

Investors should also note that under the terms of the Backreef Play Agreement dated October 2008, the Backreef Area Titleholder, Buru Energy Limited, has the once only right to Back-In on Backreef-1, if this well is declared by OBL as a Discovery as defined under strict and formal SPE Guideline definitions. Once so declared, the Titleholder then has 90 days to elect to Back-In by repaying OBL 90% of all drilling and completion costs incurred for an undivided net 30% interest in the Discovery.

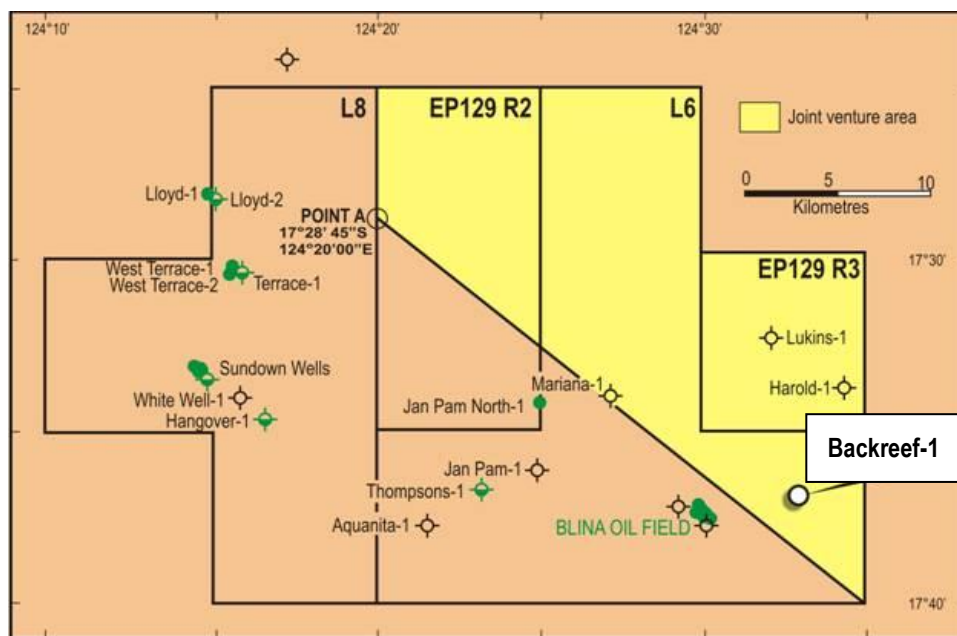


Figure 1 – Backreef Area

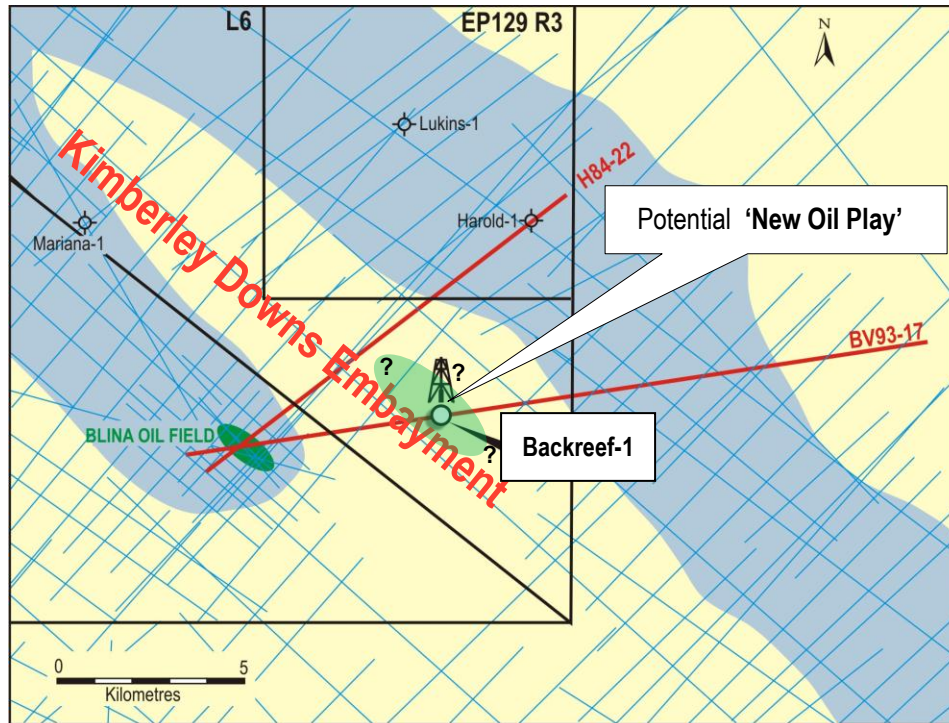


Figure 2 – Kimberley Downs Embayment feature within the Backreef Area
(Note - the shape and extent of 'New Oil Play' is depicted for illustration purposes only, and the extent and potential will be defined after the vintage 2D is reprocessed)