



OIL BASINS LIMITED
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17 September 2009

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

Dear Sirs

***PROPOSED FUNDING OF A TWO WELL
CANNING BASIN DRILLING CAMPAIGN***

THIS IS TO INFORM THE MARKET THAT OIL BASINS LIMITED'S (ASX CODE OBL) WHOLLY-OWNED SUBSIDIARY, CANNING BASIN OIL LIMITED, IS TO ISSUE AN INFORMATION MEMORANDUM AND OFFER TO SOPHISTICATED INVESTORS TO RAISE FUNDS TO DRILL IN THE CANNING BASIN.

THE COVERING LETTER FROM THE CHAIRMAN OF CANNING BASIN OIL LIMITED (MR KIM MCGRATH, THE CHAIRMAN OF OBL) IS INCORPORATED IN THE INFORMATION MEMORANDUM IN THE FOLLOWING TERMS:

"I have pleasure in presenting to you this Information Memorandum ("IM") and the offer contained herein ("Offer") to subscribe for redeemable preference shares, to be known as **Backreef OilCans**, in Canning Basin Oil Limited (being "**Company**" or "**CBO**").

The Company is offering investors the opportunity to participate at high direct leverage through a 25% interest of the Company in each of the Backreef-1 and Emika-1 well prospects in the Canning Basin, Western Australia (**Figure 1**). These well prospects have been defined by modern pre-stacked time migration ("**PSTM**"), pre-stack depth migration ("**PSDM**") and advanced seismic reprocessing inversion techniques applied to reprocessed vintage two dimensional ("**2D**") seismic data. Specifically, unlike nearly all the circa 440 wells drilled to date in the Canning Basin, these wells are not targeting limestone reefs or deep targets, as both wells are targeting sandstone formations at relatively shallow depths of about 1,500m total depth.

The independent expert geologist has assessed both the Backreef Prospect and the Emika Prospect and has concluded that these are both prospective, drill-ready and represent some of the largest undrilled onshore prospects in Australia.

The nature of the Company's proposed Backreef OilCans is unique in that upon drilling-success defined by a commercial discovery they will be immediately entitled to a net profit interest ("**NPI**") in each or both of the Backreef-1 and Emika-1 well prospects and immediately attract and accrue net production cashflow from the commercial success directly from these wells.

The Offer is for up to 5,950,000 Backreef OilCans at an issue price of \$1.00 (100 cents) each only to Applicants who are sophisticated investors under section 708(8) or section 708(10) of the Corporations Act 2001 (Cth). The issue proposes raising a minimum of \$3,000,000.00 up to a maximum of \$5,950,000.00.

While the Company will for the time being remain unlisted, it is the Directors' intention in the event of a commercial discovery in either the Backreef-1 or Emika-1 well prospect to seek within 12 months of such discovery an appropriate listing of the Company's Backreef OilCans, or an appropriate NPI based security, on the Australian Stock Exchange Limited ("**ASX**") or the National Stock Exchange of Australia Limited ("**NSX**"), thereby permitting trading in these instruments and coinciding with any potential or future field development. Although an application may be made for the Backreef OilCans or the NPI based security to be listed on the ASX or the NSX, no assurance or representation (express or implied) can be given that the Company will subsequently be admitted to the Official List of either the ASX or the NSX.

The funds raised via the Offer under this IM will become part of the Company's working capital and thus be available to advance the long-term goal of CBO becoming a high leverage low-overhead explorer and producer within the Canning Basin, Western Australia.

The Board considers that CBO's drill-ready Backreef-1 and Emika-1 well prospects provide the possibility of major 'company-making' discoveries.

You should read this entire IM and take particular notice of the financial position of the Company, its joint venture arrangements, proposed exploration programmes, relevant technical information and the risks that are all set out in the respective Sections that follow. All of these factors will affect the future operations and activities of the Company. As a potential Applicant you should carefully consider these factors in the light of your personal circumstances (including your financial capacity and your investment and risk profile) and seek professional advice from your accountant, stockbroker, lawyer, licensed financial adviser or other professional adviser before deciding to invest in the Backreef OilCans offered under this IM.

Through Company projects it is the objective of CBO to provide shareholders, including those holding Backreef OilCans, with the potential for significant reward in return for the high level of financial risk that attaches to oil and gas exploration. While the Board will always strive to reduce and manage risk, a high level of risk is inherent in many aspects of CBO's activities – particularly the risk that oil and/or gas will not be found or not be found in commercially producible quantities.

The Board certainly invites you to subscribe for Backreef OilCans pursuant to the Offer under this IM as it believes Backreef OilCans offer all Applicants exceptional leverage even at the Minimum Subscription of 10,000 Backreef OilCans.

I therefore encourage you to peruse this opportunity and invest in Canning Basin Oil Limited."

THE FULL TEXT OF THE INFORMATION MEMORANDUM AND OFFER CAN BE READ ON THE CANNING BASIN OIL LIMITED WEBSITE www.canningbasinoil.com.au
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This Offer is scheduled to open on 21 September 2009 and close on 5 October 2009.

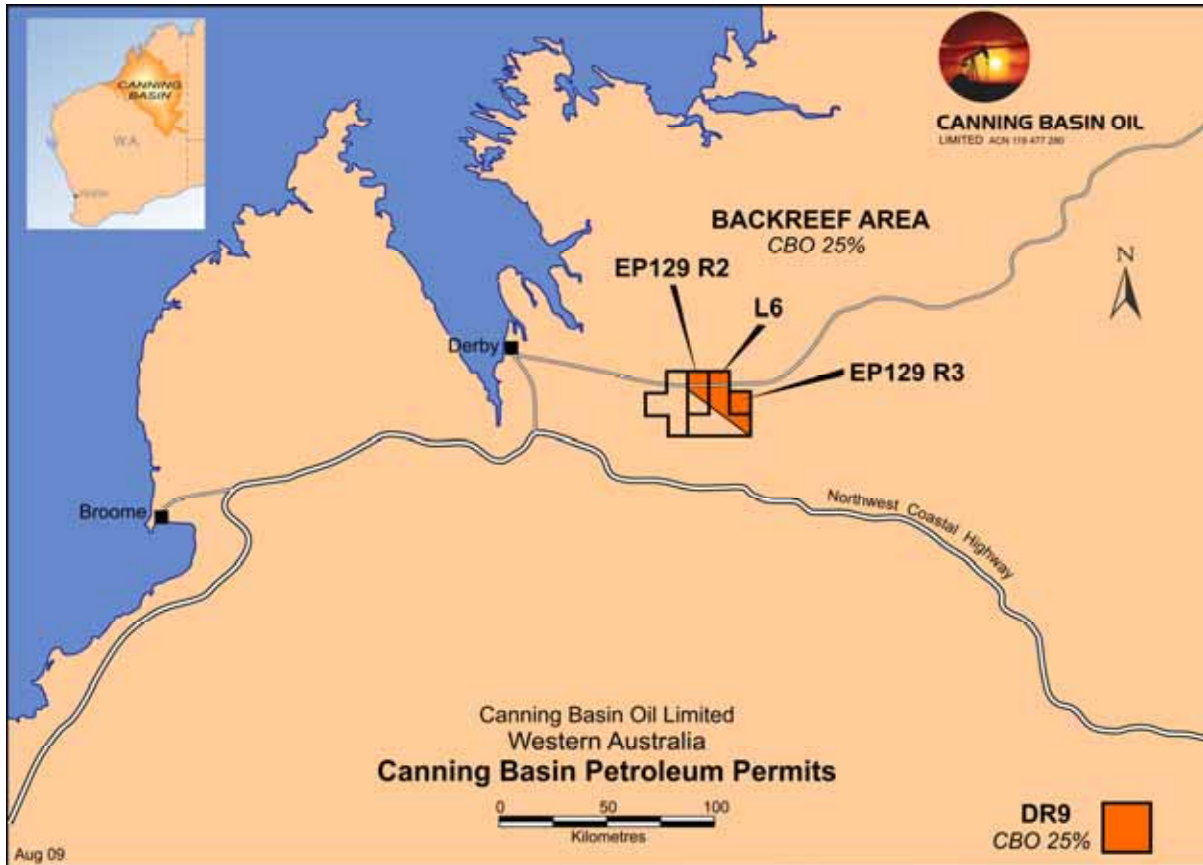


Figure 1
Canning Basin Oil Limited's Acreage Location Map

Impact to OBL:

Should this highly leveraged fund raising be wholly successful, OBL will be free carried as to:

- 65% Backreef-1, Backreef Area (OBL free carry value is worth \$1.63 million or 1.6 cents per share)
- 28% Emika-1 Drilling Reservation 9 (OBL free carry value is worth \$0.70 million or 0.7 cents per share); and
- Receive an immediate backcost payment of \$400,000 (0.4 cents per share) which when added to current cash is adequate for nearly a year of OBL working capital at projected forecast expenditures,
- Overall program timing is obviously highly dependent upon the completion of the fund raising for at least one or both of the planned wells, various stakeholder approvals, rig availability and suitability and procurement of consumables prior to the onset of the regional wet season.
- In parallel farmout discussions on near identical terms continue with a Third Party for the Backreef Area.

OBL will then immediately instruct the Operator Backreef Oil Limited to take all necessary steps to seek to commence operations during

Neil Doyle, SPE
Director

GLOSSARY & PETROLEUM UNITS

M	Thousand
MM	Million
B	Billion
Bbl or Bbls	Barrel of crude oil (ie 159 litres)
PJ	Peta Joule (1,000 Tera Joules (TJ))
Bcf or BCF	Billion cubic feet
BOE ₆	Barrel of crude oil equivalent – commonly defined as 1 TJ equates to circa 158 BOE – approximately equivalent to 1 barrel of crude (equating to 6,000 Bcf dry methane on an energy equivalent basis)
PSTM	Pre-stack time migration – reprocessing method used with seismic
PSDM	Pre-stack depth migration – reprocessing method used with seismic converting time into depth
AVO	Amplitude versus Offset enhancing statistical processing method used with 3D seismic
TWT	Two-way time
TD	Total Depth subsurface

Note 1. Prospective Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. Investors should not infer that because “prospective resources” are referred to that oil and gas necessarily exist within the prospects. An equally valid outcome in relation to each of the Company’s prospects is that no oil or gas will be discovered.

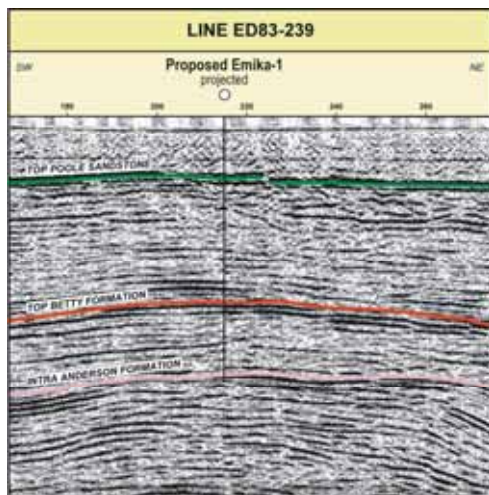
FACTSHEET – EMIKA PROSPECT

Target: Conventional 4 – Way Dip Closure Sandstone – Prospect Area 18 sqkm



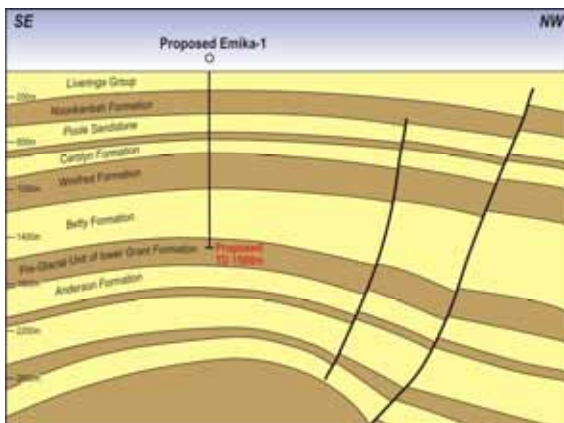
The Emika Prospect is a robust anticline rolling over into and on the downthrown side of the Selene Fault. The anticline shows structural growth during the Carboniferous and was probably formed by compressional forces associated with the Alice Springs Orogeny. This is encouraging since such structural growth is interpreted to be contemporaneous with peak source rock oil maturity and oil generation and migration from the main Frasnian source rocks of the Gogo Formation in the Fitzroy Sub-basin. Oil may have migrated up the Selene Fault and charged the sandstone reservoirs of the Anderson, Betty and Poole Formations, amongst others.

LOCATION



Subdued anticlinal closure at the top of the Poole Sandstone indicates that the Emika Prospect may have been affected by the Late Triassic Fitzroy Movement. However, this tectonic event does not appear to have had a major influence on the Emika structure. The Emika Prospect covers an area of 18 square km. (1800 hectares) and has 50 milliseconds (100m) of structural relief on the main target horizons. The proposed drilling location at SP 178 on line ED 82-124A will test the crest of the Anderson Formation structure and an acceptably high point on the overlying closures. This is shown on the crestal dip seismic line ED83 239, parallel and adjacent to the crestal line on which the well is sited

TIME MAP



Independent Expert Assessment:

The Emika Prospect, filled to capacity and taking the median case, could host a gross oil resource of up to 107 MMbbls or a gross gas resource of up to 330 BCF in the combined Betty and Anderson Formations.

DEPTH MAP

Refer to Note 1.