



17 August 2009

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

Dear Sirs

RESTRUCTURING OF CANNING BASIN INTERESTS WITH BACKREEF OIL LIMITED

Oil Basins Limited ('**OBL**', ASX code OBL) is pleased to announce it has now entered into a series of conditional Heads of Agreement ('**HoA**') with joint venture partner Backreef Oil Limited ('**BOL**') which may lead to early drilling of both the Backreef Prospect, Backreef Area and the Emika Prospect, Drilling Reservation 9 ('**DR9**'), Canning Basin.

As part of this restructuring, the OBL Group attained exclusive rights from BOL to obtain a further 10% beneficial interest right in the Backreef Area and to Farm-in to DR9 for up to 53%.

OBL has via back-to-back HoAs (which have also been executed by BOL) now conditionally assigned these rights to its wholly owned subsidiary Canning Basin Oil Limited ('**CBO**').

CBO has now effectively obtained exclusive and conditional rights to Farm-in as to 25% beneficial interest right in the Backreef Area and Farm-in as to 25% in DR9, with the priority being the Backreef Area Farm-in presently controlled by OBL.

Summary of New Agreements

The principal points of these new commercial HoA arrangements are summarised as follows:

- 1) A conditional HoA has been executed between OBL and CBO with respect to the assignment and funding of OBL's interests in both the Backreef Area and Drilling Reservation 9.
 - Via this conditional agreement, subject to a confirmation of \$3.5 million funding by CBO, CBO has the right to Farm-in to attain 25% of the Backreef Area by funding 100% of Backreef-1 (*drilled to 1500m TD and should a discovery eventuate, the well to be cased and suspended*).
 - In the event of a discovery OBL agrees to carry CBO at 25% for one additional appraisal well in the Backreef Area to both drilling and completion excluding capital costs associated with surface equipment and gathering pipelines.
 - Via this conditional agreement, subject to a confirmation of \$6.0 million funding by CBO, CBO has the additional right to Farm-in to attain 25% of Drilling Reservation 9 by funding 100% of Emika-1 (*drilled to 1500m TD and should a discovery eventuate, the well to be cased and suspended*).

- In the event of a discovery OBL agrees to carry CBO at 25% for one additional appraisal well in Drilling Reservation 9 to both drilling and completion excluding capital costs associated with surface equipment and gathering pipelines.
- 2) Conditional 'back-to-back' HoA agreements have now been executed between OBL, CBO and BOL covering the Backreef Area whereby CBO agrees to fund 100% of Backreef-1 to earn 25% beneficial interest and carry OBL as to 65% and BOL as to 10%, subject to a minimum funding of \$3.0 million and BOL procuring/contracting a suitable rig to drill and complete Backreef-1 (*drilled to 1500m TD and should a discovery eventuate, the well to be cased and suspended*).
- Conditional HoA becomes immediately effective as soon as CBO confirms funding of \$3.0 million.
 - This conditional Backreef Area Farm-in lapses if the funding is not attained prior to 31 December 2009, but may be extended by BOL.
- 3) Similarly, conditional 'back-to-back' HoA agreements have now been executed between OBL, CBO and BOL covering Drilling Reservation 9 whereby CBO agrees to fund 100% of Emika-1 to earn 25% direct interest (upon completion) and carry OBL as to 28% and BOL as to 47%, subject to a minimum funding of \$6.0 million and BOL procuring/contracting a suitable rig to drill and complete Emika-1 (*drilled to 1500m TD and should a discovery eventuate, the well to be cased and suspended*).
- Conditional HoA becomes immediately effective as soon as CBO confirms funding of \$6.0 million.
 - This conditional DR9 Farm-in lapses if the funding is not attained prior to 31 December 2009, but may be extended by BOL.
- 4) Investors should note that these HoAs are highly conditional upon funding and a suitable rig being secured.
- 5) OBL itself, having entered into the back-to-back agreements with BOL and CBO, retains the right but not the obligation to Farm-in during this exclusive funding period.
- 6) Should the conditional HoAs be fully satisfied, and formal Farm-in Agreements executed, all relevant stakeholders will be then formally advised and the dealings will then be immediately registered. Should the CBO funding not be possible, no restructuring specifically with CBO will have deemed to have been effected.
- 7) BOL, as Operator for both wells, has formally advised OBL that they have successfully identified a suitable drilling rig on a cased and suspended cost of \$2.5 million per well (based upon current known input costs and on an estimated 12 day dry hole basis and including a contingency of \$140,000 and mobilisation/demobilisation costs and the rig-move) should a two well campaign be agreed.
- 8) Investors should note that timing of the campaign is subject to the farmin and/or funding being finalised during September so to enable sufficient time for necessary approvals and all stakeholder consents and adequate planning for a latest possible commencement of the start of drilling operations by mid-October without running the risk that drilling might have to be suspended or abandoned due to the commencement of the wet season.

Impact of these Agreements to OBL

(a) Increase in potential stakes (refer to Figure 1)

- OBL Group has increased its potential interest in the Backreef Area to 90%, and
- OBL Group has increased its potential interest in DR9 to 53%

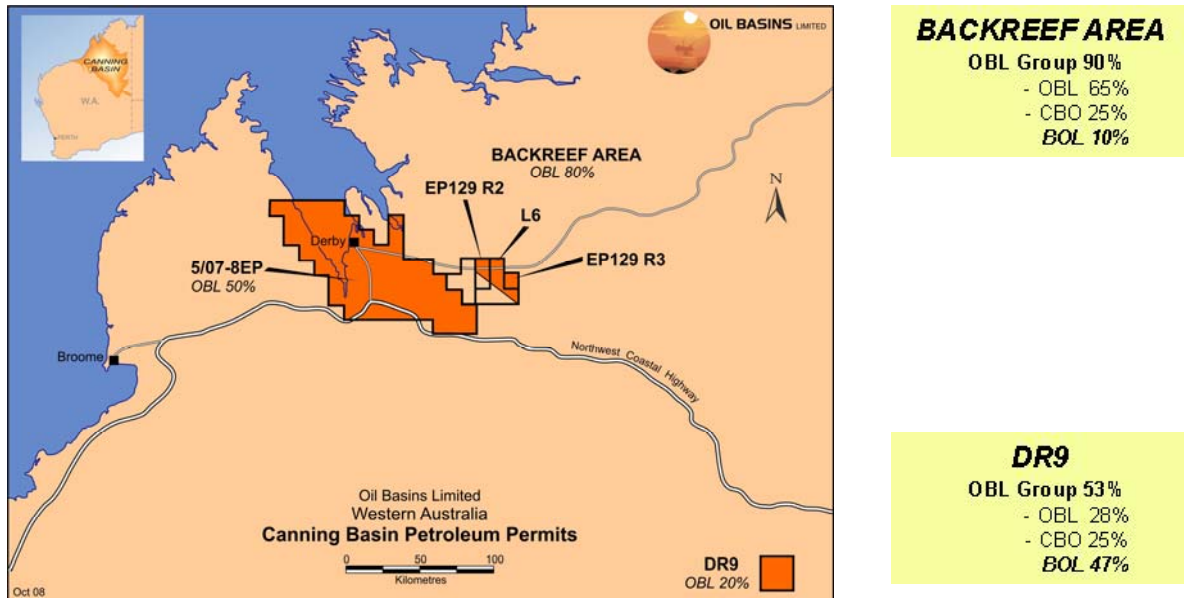


Figure 1

Oil Basins Limited's potential post-farmout Canning Basin interests

(b) Increased flexibility in possible funding arrangements

By these new commercial agreements, OBL has effectively now engineered three ways of funding Backreef-1 and this flexibility has now been extended to Emika-1. The three ways are:

- Secure a conventional farmout to a third party for direct interests in either prospect;
- Sale of 100% of the shares in CBO (with Farm-ins as described above); and
- CBO raises the necessary funding itself (with Farm-ins as described above).

Independent Expert Geologist Report

To assist this farmout strategy and near-term drilling objective, OBL recently commissioned an Independent Expert Geologist Report by Mr Roger Meaney on the hydrocarbon potential of the Backreef Prospect wholly contained within the Backreef Area which consists of Exploration Permit (EP) 129, Remainder Part 2 (R2) (part thereof) & R3 (all) and Production Licence (L) 6 (part thereof) and of the Emika Prospect in Drilling Reservation (DR) 9 onshore Canning Basin, Western Australia.

Refer to OBL's comprehensive ASX Release made the 18 February 2009 and for convenience, the summary materials Attached at the end of this Update.

This Report assesses the prospectivity of the Backreef and Emika Prospects in particular following the reprocessing of vintage seismic data and technical work conducted and commissioned by OBL during 2008 utilizing modern Prestack Time and Depth Migrated sections (**PSTM** and **PSDM**), respectively and seismic inversion techniques.

The report concludes both prospects are highly attractive and drill-ready:

(a) Backreef Prospect Assessment

Summary

Permit	Backreef Area (EP 129 R2&R3 and L6)
Earning Interest	90% OBL Group – Beneficial Rights
Gross Target Size	270 MMbbl (median case for oil)
Gross Target Size	500 BCF (median case for gas)
Total Depth	1,500 metres (Proposed)
Seismic Grid	Sparse – 2 lines reprocessed with PSTM and PSDM and seismic inversion
Nearest Oilfield	Blina – approximately 4.5 km due west
Prospect Style	Stratigraphic Trap – submarine clastic (sandstone) fan play

Assessed Gross Prospective Recoverable Resources – refer to Note 1

<i>100% Basis</i>	<i>Low Estimate</i>	<i>Median Estimate</i>	<i>High Estimate</i>
<i>Unrisked Potential Recoverable Oil Resource:</i>	141 MMbbl	270 MMbbl	337 MMbbl
<i>Risked Potential Recoverable Oil Resource:</i>	17.6 MMbbl	33.8 MMbbl	42.1 MMbbl
<i>Unrisked Potential Recoverable Gas Resource:</i>	261 BCF	500 BCF	624 BCF
<i>Risked Potential Recoverable Gas Resource:</i>	33 BCF	63 BCF	78 BCF

Specifically, the report concludes that the Backreef Prospect is highly attractive and drill-ready, concluding that:

“The Backreef Prospect, filled to capacity and taking the median case, could host a gross oil resource of up to 270 MMbbls or a gross gas resource of up to 500 BCF in the Clanmeyer Formation alone”.

(b) Emika Prospect Assessment

Summary

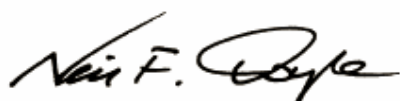
Permit	DR9
Earning Interest	53% OBL Group
Gross Target Size	107 MMbbl (median case)
Gross Target Size	330 BCF (median case)
Total Depth	1,500 metres (Proposed)
Seismic Grid	1.5km x 2.5km - all lines reprocessed with PSTM and PSDM
Nearest Oil Show	Cycas-1 – 20km northwest
Prospect Style	Conventional 4 way dip anticlinal closure clastic (sandstone) reservoir

Assessed Gross Prospective Recoverable Resources – refer to Note 1

100% Basis	Low Estimate	Median Estimate	High Estimate
Unrisked Potential Recoverable Oil Resource:	32 MMbbl	107 MMbbl	196 MMbbl
Risked Potential Recoverable Oil Resource:	4 MMbbl	13 MMbbl	24 MMbbl
Unrisked Potential Recoverable Gas Resource:	102 BCF	330 BCF	609 BCF
Risked Potential Recoverable Gas Resource:	13 BCF	41 BCF	76 BCF

Specifically, the report concludes that the Emika Prospect is highly attractive and drill-ready, concluding that:

“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”.



Neil Doyle, SPE
Director

GLOSSARY & PETROLEUM UNITS

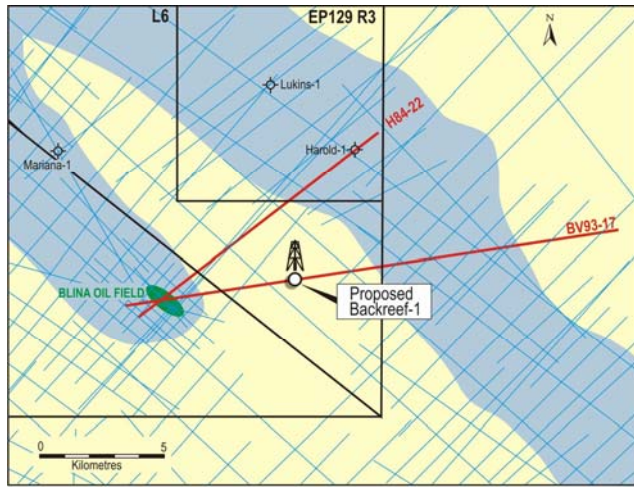
M	Thousand
MM	Million
B	Billion
Bbl or Bbls	Barrel of crude oil (ie 159 litres)
PJ	Peta Joule (1,000 Tera Joules (TJ))
Bcf or BCF	Billion cubic feet
BOE ₆	Barrel of crude oil equivalent – commonly defined as 1 TJ equates to circa 158 BOE – approximately equivalent to 1 barrel of crude (equating to 6,000 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.

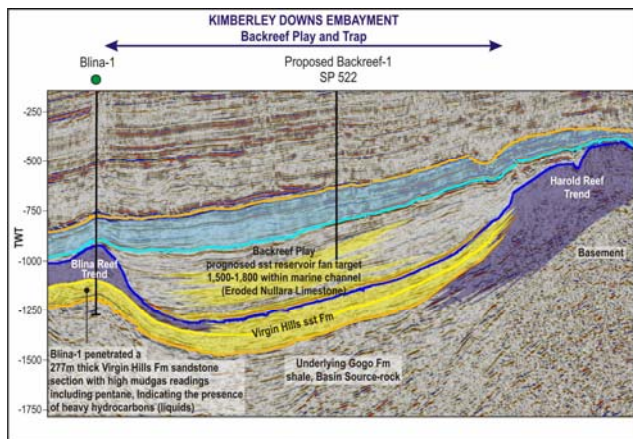
FACTSHEET – BACKREEF PROSPECT

Target: *Interbedded Sandstone – Prospect Area 60 sqkm ‘Stratigraphic Trap’ - wholly confined within Kimberley Downs Embayment.*



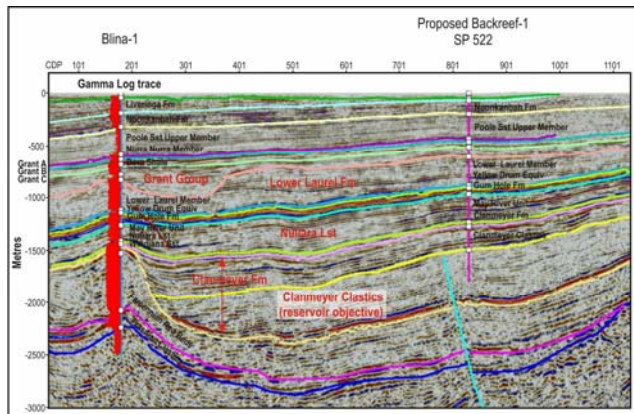
LOCATION

OBL advised the ASX on 7 May 2008 that it's expert team of consultants (former members of ExxonMobil regional geological and geophysical team) had completed their pioneering assessment of the Kimberley Downs Embayment feature located within the Blina Back Reef Play Joint Venture Area (see DEPTH MAP) using, what we believe is for the first time in the Canning Basin, the application of the latest 3D exploration techniques PSTM, PSDM and seismic processing and inversion techniques. This new work has delineated a 'new reservoir play' entirely situated within the Kimberley Downs Embayment. This 'new reservoir play' type is in the Clanmeyer Formation and is interpreted to be an interbedded sand reservoir that has not been tested previously in the Canning Basin.



TIME MAP

The 'new reservoir play' has an evident 'low velocity seismic signature' with acoustic impedance characteristics similar to that exhibited by the known 257m thick 'open ended' zone of wet gas discovered (but undeveloped) within the Virgin Hills Formation sand reservoir situated immediately beneath the impervious Blina Limestone Reef (as evident in the Well Completion Report of the deep Blina-1 discovery well in 1981 which was drilled through the Blina Reef to 2,498mTD)



DEPTH MAP

Expert Assessment:

The Backreef Prospect, filled to capacity and taking the median case, could host a gross oil resource of up to 270 MMbbls or a gross gas resource of up to 500 BCF in the Clanmeyer Formation alone.

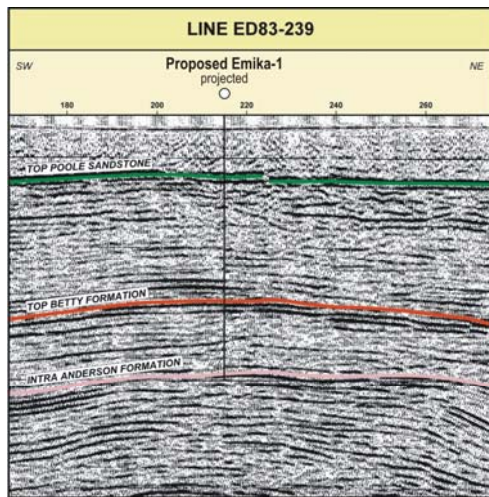
FACTSHEET – EMIKA PROSPECT

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



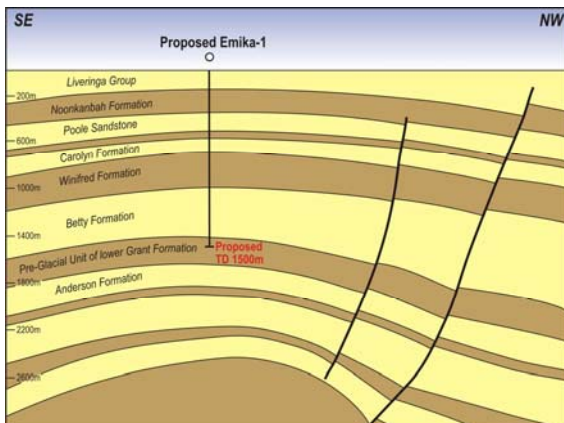
The Emika Prospect is a robust anticline rolling over into and on the downthrown side of the Selene Fault. The anticline shows structural growth during the Carboniferous and was probably formed by compressional forces associated with the Alice Springs Orogeny. This is encouraging since such structural 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



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