



3 July 2008

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

Dear Sirs

***BACKREEF PROTOCOLS AGREED
WITH ARC ENERGY FOR THE DRILLING OF BACKREEF-1***

Oil Basins Limited (ASX code OBL) wishes to advise the ASX that formal protocols have now been agreed with the relevant Arc Energy Limited (ASX code ARQ) subsidiary which will enable the efficient conduct of operations at Backreef-1, Blina Back Reef Play Joint Venture Area, Fitzroy Trough, Canning Basin (refer to Figures 1 and 2).

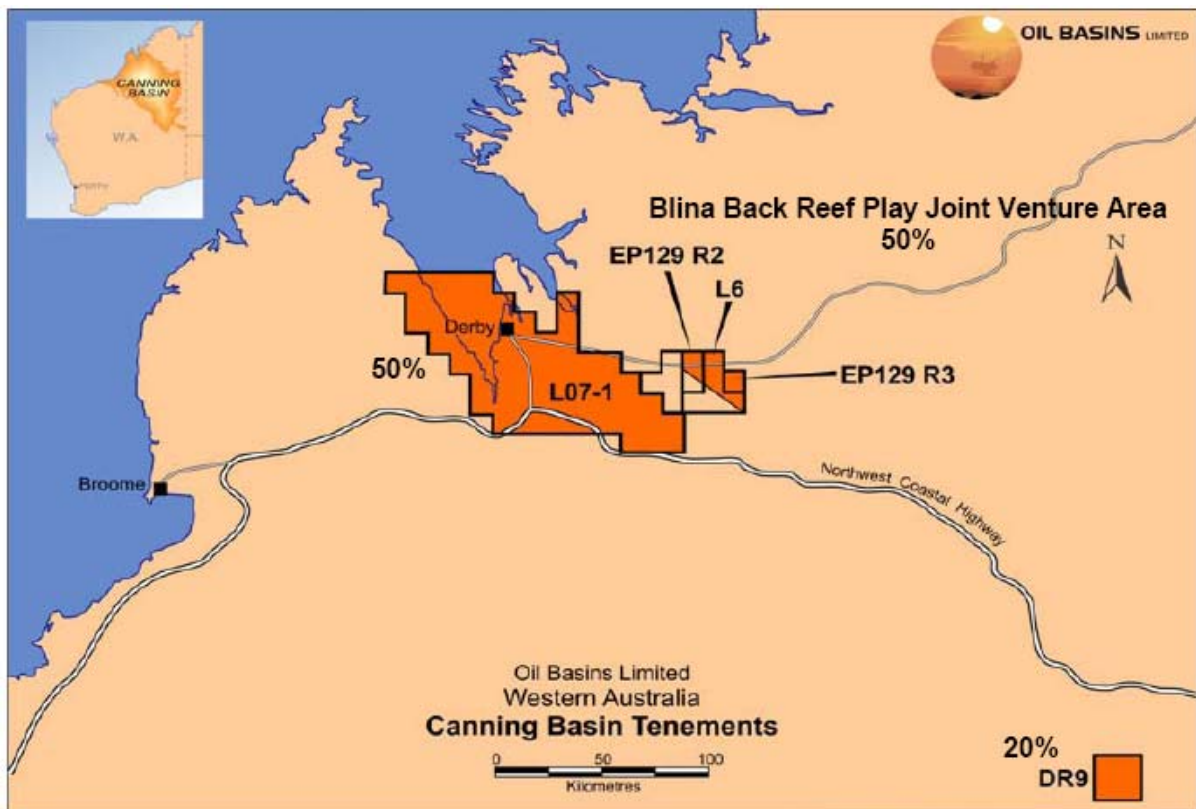


Figure 1
Oil Basins Limited's Canning Basin interests

Ownership

Following the completion of the Backreef-1 well, the ownership interests in Blina Back Reef Play Joint Venture Area will be as follows:

Backreef Oil Limited (" BOL ") Note 3	35% reducing to 20% as below
Terratek Drilling Tools Pty Ltd (" Terratek ") Notes 1, 2 & 3	30%
Oil Basins Limited ("OBL") (or nominee) Note 3	5% with Rights to increase to 20%
OBL Backreef No.5 Pty Ltd Note 3	5%
OBL Backreef No.10 Pty Ltd Note 3	10%
OBL Backreef No.15 Pty Ltd Note 3	15%

Note 1 Terratek is now 100% owned by ARQ but was previously owned by Golden Dynasty Resources Ltd (Toronto listed, TSX code **GDY**) – ARQ acquired Terratek in April 2007.

Note 2 GDY retains an Option to attain net 10% from ARQ and owns a 2% ORRI payable by ARQ

Note 3 European Gas Limited (ASX code **EPG**) owns a 3% ORRI and Budside Pty Ltd owns a 1% ORRI over EP129, but excluding L6 & L8 – these royalties are payable by ARQ and OBL (and/or nominee).

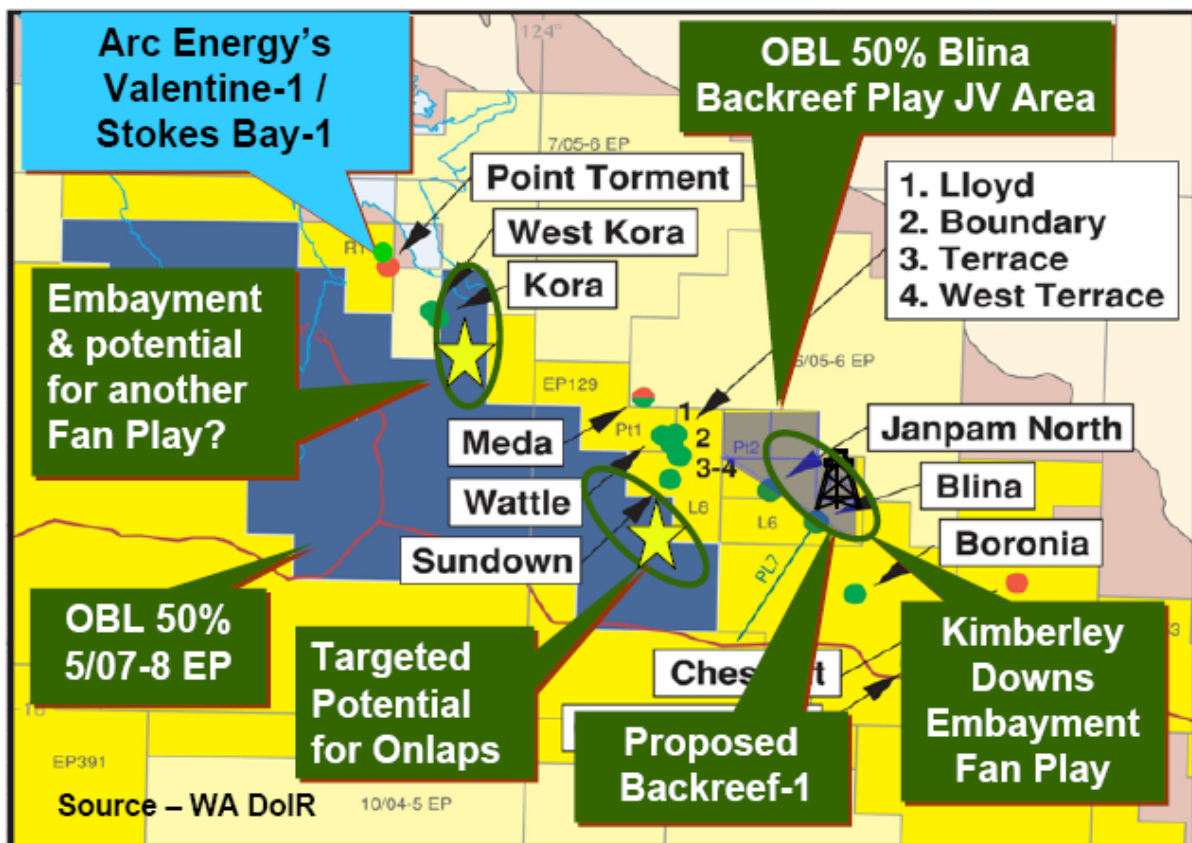


Figure 2
Oil Basins Limited's Fitzroy Trough, Canning Basin interests

Background

Early in November 2007, OBL in conjunction with Backreef-1 operator BOL engaged a number of highly experienced technical geophysical consultants to digitize and reprocess two old 2D seismic survey lines – BV 93-17 and H84-22. The former was the basis of the original farm-in with BOL and Terratek in May 2006 and the latter is the basis of a prospect identified by Robert Kirk – 2006 PESA Distinguished Lecturer.

On 7 May 2008, OBL advised the ASX that OBL's expert team of consultants (the former 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 (Figure 3) 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.

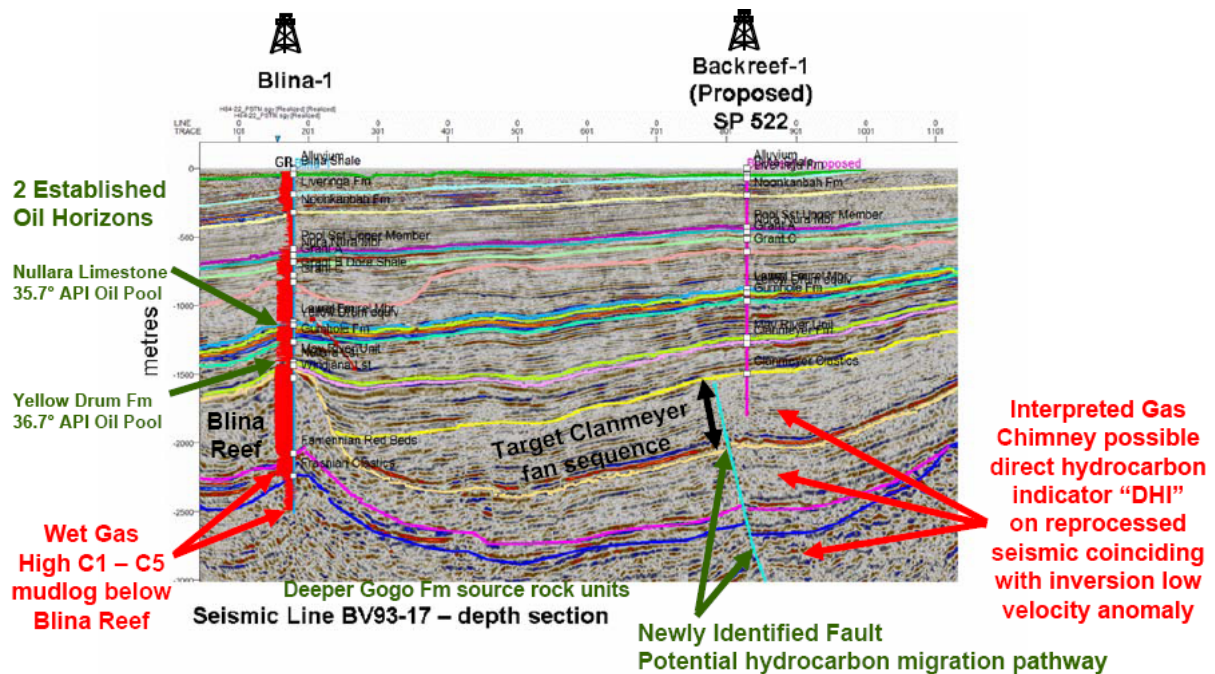


Figure 3
Oil Basins Limited's interpretation of Backreef Prospect

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. In addition, our expert team has prognosed the existence of a normal fault associated with a zone of seismic disruption in the Clanmeyer which could be interpreted as a gas chimney, and interpreted as a direct hydrocarbon indicator. The fault is prognosed to have subsequently undergone a degree of inversion and underlies the Backreef Prospect, cutting upwards through the known source rocks of the deeper Gogo Formation (which itself underlies the Virgin Hills Formation) into the 'new reservoir play' situated within the Clanmeyer Formation. The potential interbedded sand reservoir (trapped within an ancient marine channel) is prognosed by OBL to be possibly filled with either oil or wet gas according to the interpretation of the evident package of seismic (i.e. acoustic impedance) reflectors. 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) – refer to OBL ASX Investor Presentation dated 23 May 2008.

BOL has subsequently advised ARQ/Terratek that under the terms of the farm-in agreement it wishes to drill the Backreef-1 well at Shot Point 522, seismic line BV93-17 within the L6 portion of the Blina Back Reef Play Joint Venture Area to a total depth of 1,600m PTD (refer to Figure 3).

At a meeting held at ARQ/Terratek's Perth offices on 30 May 2008 it was agreed in principle that a working group, to be informally designated an Operations Committee Meeting ("OCM"), would be formed to allow for the co-ordination of the operation to allow ARQ/Terratek to fulfil its regulatory and statutory obligations as permit holder of L6 in relation to the drilling of the well.

The principles agreed were that BOL would propose to ARQ/Terratek the methods, equipment and approvals it wished to implement for the well. ARQ/Terratek would review the various proposals and work co-operatively with BOL to ensure the well was drilled in a safe, efficient and economical manner.

So as to provide clarity and to ensure there are clear lines of responsibility in regard to the operation, the following set of protocols was agreed by all parties on 2 July 2008.

Protocols

- a) ARQ/Terratek agrees to provide reasonable assistance to BOL in relation to the conduct of its operations on the Backreef-1 well.
- b) The parties agree that the OCM will have no power to bind the parties but will act as a co-ordination and communication forum.
- c) In the event of a dispute that may arise in relation to any matter regarding safety, environment or heritage matters, ARQ/Terratek's rights as permit holder of L6 will prevail.
- d) BOL will be responsible for the procurement of drilling rig services, service companies, logging equipment, insurances etc.
- e) ARQ/Terratek will review the proposed services for safety and environmental compliance.
- f) BOL will be responsible for the preparation of all approval documents which will be reviewed by ARQ/Terratek and submitted by ARQ/Terratek to the relevant authorities.
- g) BOL will not contact any stakeholders in relation to the operation without the express approval and knowledge of ARQ/Terratek, this will include Western Australia Department of Industry and Resources (DoIR), Native Title parties, landowners etc.
- h) Day-to-day rig operations will be under the operational supervision of BOL subject always to ARQ/Terratek's rights under the subclauses above.
- i) BOL will keep ARQ/Terratek fully informed as to all day-to-day operations in relation to the Backreef-1 well and ARQ/Terratek will have the right to have observers on the well with the power to exercise its rights under the subclauses above.

Impact

BOL and OBL are working closely together on the necessary preparations and planning for the drilling of Backreef-1 and will be coordinating operations with ARQ/Terratek.

OBL regards this as an important step in the finalisation of Backreef-1 and in OBL's endeavours for a partial sale of an interest in Blina Back Reef Play Joint Venture Area ahead of drilling Backreef-1.

OBL remains confident that it can farm-out an interest in the Blina Back Reef Play Joint Venture Area by 31 August 2008 but nonetheless wishes to advise that in accordance with the Saxon-Backreef Farm-in 29 May 2006 (refer to OBL Prospectus dated June 2006) and subsequent documentation, in the absence of a suitable drilling rig (a force majeure event) or the drilling of the Backreef-1 well by 31 August 2008, OBL can completely satisfy its farm-in obligations by presenting funding of \$1.5 million plus any GST by no later than 31 August 2008.

For more information on the Backreef-1 prospect please refer to the OBL website located at www.oilbasins.com.au for comprehensive details.

Neil F Doyle, SPE
Director

The technical information quoted has been compiled and/or assessed by Company Director Mr Neil Doyle who is a professional engineer (BEng, MEngSc - Geomechanics) with over 26 years standing and Member of the Society of Petroleum Engineers since 1981 (SPE 25 Year Club Member) and by Mr Geoff Geary who is a professional geologist (BSc - Geology) with over 26 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.

Investors should note the ASX materials previously quoted and the important definitions and disclaimers attached.