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

Dear Sirs

BACKREEF AREA UPDATE PROPOSED BACKREEF-1 PRODUCTION TEST

The Directors of Oil Basins Limited (**OBL**, ASX codes **OBL**, **OBLOA** and **OBLOB**, or the **Company**) are pleased to make the following ASX announcement relating to the Backreef Area, Canning Basin, onshore Western Australia (**WA**) so as to keep the market fully informed.

HIGHLIGHTS

1. The Company is in the process of raising circa \$2.25m via a Share Purchase Plan (**SPP**) with first share allotments to supporting shareholders taking place on a first-come first-served basis.
2. Conditional upon adequate funding being secured, the Company is now pleased to advise that scoping and securing conditional arrangements for workover rig / production test equipment is now very advanced and the execution of a conditional Memorandum of Understanding (**MOU**) is imminent.
3. The Company further advises that after presenting to the WA Department of Mines and Petroleum (**DMP**) late last week the results of the OBL geological and geophysical (**G&G**) interpretation of the New Oil Play within the Backreef Area and a proposed short-term (2011) and long-term work program (2012), the immediate forward plan is contracting consultants Ecologia Pty Ltd and DU-EL Pty Ltd to coordinate and prepare comprehensive proposals for submission (within the next fortnight) to the DMP for the approval of the proposed production testing of the Backreef-1 well.
4. The Company further advises that the production test of Backreef-1 could be performed circa 21 October 2011 and OBL will announce further details to the ASX immediately the conditional MOU is executed.

BACKREEF – 1 WELL

The Backreef-1 well, within the Backreef Area (**refer to Figures 1 and 6**) is presently cased and suspended at plugged-back total depth 1155m and the well has according to Weatherford petrophysicists delineated the following attributes:

- Porosity circa 22% - with permeability tight
- Reservoirs - Yellow Drum equivalent & Gumhole dolomites
- Gross Reservoir interval 48.9m
- Net Oil Pay interval 39.2m
- Risked Net Free oil (pre-stimulation) 3.9m

During 1HY2011, OBL as operator of Backreef Area (**100% net beneficial rights**), has commissioned new G&G work to assist with its evaluation and interpretation of the potential new oil play area (discovered by the drilling of its first well Backreef-1 in October/November 2010).

TECHNICAL CONCLUSIONS OF BACKREEF-1 WELL

The technical conclusions of the Backreef-1 well completion report (lodged with all stakeholders in June 2011) are also presented in **APPENDIX A** to assist the market in better understanding this New Oil Play.

In addition, the Company believes that in addition to the shallow to surface oil zone, that there remains a potentially tight gas zone within the Virgin Hills Sandstone formation between circa 2100m and 2500m and a potentially significant but deeper unconventional shale gas (USG) zone within the Gogo Formation between circa 2500m and 3000m.

G&G INTERPRETATION OF PROGNOSED NEW OIL PLAY BACKREEF AREA

On 8 August 2011, OBL released to the ASX the first preliminary results of this important new G&G assessment of the Backreef Area, including a first-time image of the overall extent of the potentially large stratigraphic trap containing the Backreef-1 well.

Summary of OBL's key findings of the G&G interpretation and possible Backreef Area Work Program for 2011 / 2012 scenarios (subject to a successful production test at Backreef-1) are as follows:.

1. Preliminary interpretation of PSTM & PSDM analysis of the New Oil Play delineated by Backreef-1 well and utilising advanced Petrel TM software is now mostly complete – **refer to Figures 2 to 5.**
2. OBL's interpretation of the New Oil Play (**covering circa 40 to 60 sq km**) is that it mostly lies within Production Licence L6 and EP129R3 in the Backreef Area – **refer to Figure 3.**
3. Consequently, OBL with 100% beneficial rights offers the only leverage to this unique potentially large New Oil Play.
4. **It is evident that the Backreef-1 'oil pool' maybe either a distinct/isolated (i.e. minimum closure oil pool) or part of a potentially multi-MMbbl prospective**

stratigraphic feature within Yellow Drum dolomites extending from L6 into EP129R3 region within the Kimberley Downs Embayment.

5. The lateral extent and risk in the north and updip in the east is dependent upon an adequate seal being evident between the subcrop and unconformity at the base of the lower Grant formation (our geological/geophysical team considers that there is the likelihood of a lower Grant shaley member within the channel non-conformity).
6. **It is evident that the possible New Oil Play potential gross reservoir rock volume for oil in place determination is very large – even based upon 3.9m thickness rather than 39.2m net pay thickness and up to 22% porosity across a regional area of circa 40 to 60 sq km.** But with no evident closure for this large tilted horst block prospective stratigraphic trap (defined by a potential NNW-SSE axis transverse fault to the west of Backreef-1 and the elevated Yellow Drum subcrop to the east and north, rather than postulate potential 'Low', 'Medium' and 'High' risk prospective recoverable contingent* 1C, 2C & 3C resources which may (at present) given all the assumptions required relating to geological reservoir risk and recovery factors, be either inaccurate or at worse misleading (given the unique nature of the Play), the Company is planning to seek the DMP's permission to immediately conduct a straightforward oil production test of the previously cased and suspended Backreef-1 well so as to better define and conservatively characterise the presently unknown reservoir parameters. (*Note* contingent upon a successful well production test at Backreef-1*).
7. The clear objectives of the proposed Backreef-1 production test are to characterise the reservoir fluid properties, to establish steady state down hole reservoir pressure and surface fluid production rates and composition with a view that should hydrocarbons be recovered to the surface that the Company will seek, as permitted within the WA Petroleum and Geothermal Energy Resources Act 1967 to declare a Location over the Backreef-1 well and the entire stratigraphic feature defined by the Yellow Drum subcrop within L6 / EP129R3 of the Backreef Area recent G&G assessment – refer to Figure 3 for the regional extent of the New Oil Play.
8. Should the Company declare Backreef-1 a Discovery, the second well requirement within the Backreef Area by 31 October 2012 is thereby immediately obviated.
9. The Company is engaging dolomite reservoir and carbonate sub-crop technical experts to assist in its ongoing technical studies.
10. The Company has successfully delineated a number of smaller 'Blina size' pools evident – i.e. a minimum closure Backreef-1 Prospect and a much larger Lead A (**East Blina Prospect**) – circa 5 km due east of Blina Battery (**Figure 2**) on seismic line BV93-17.
11. The Company believes that Lead A (East Blina Prospect) in particular becomes potentially very low risk should the Backreef-1 production test be successful.
12. Should the Backreef-1 production test be successful, forward plans during 2011/2012 may include a possible nearby step-out appraisal well Backreef-2 (Lead B) and possibly a number of higher risk Leads (Leads C, D and E) to define the extent of the stratigraphic feature and to primarily test the existence of subcrop seals to the east and to the north and north-east within the Kimberley Downs Embayment (**Figure 3**).

13. Should the Backreef-1 production test be unsuccessful, the robust and potentially lower risk Lead A (East Blina Prospect) situated in L6 will be the principal target of the future OBL 2012 Drilling Program, thereby completing the Backreef Area farmin obligation.
14. OBL has on 25 August 2011 presented its G&G interpretation findings to the DMP and its intention to plan and budget for a proposed production test of the Backreef-1 Prospect and of its immediate forward plan to contract consultants Ecologia Pty Ltd and DU-EL Pty Ltd to coordinate and prepare detailed proposals and budgets for submission to the DMP within the next fortnight.
15. OBL has prepared a conditional Memorandum of Understanding with suitably accredited third parties to mobilise the necessary workover rig and specialised production test equipment for duty at Backreef-1.
16. The rig is also capable of drilling a conventional petroleum well to circa 1000m and both the proposed Backreef-1 Production Test and, upon success, a potential contingent step-out well Backreef-2 (subject to additional stakeholder consents and the completion of all activity ahead of the 2011 rainy season' i.e. 'good weather window' likely until circa 1 December 2011).
17. Interested and suitably qualified Third Party Farminees are cordially invited to contact the undersigned to negotiate a farmin to participate in this rapid assessment of the Backreef Area – refer also to **APPENDIX A** for a summary of technical information.
18. Subject to satisfactory funding, rig and equipment contract finalisation and all stakeholder approvals/consents in-place – OBL's immediate plan is to production test Backreef-1 during mid to late October 2011 – aiming for rig-up by circa no later than 21 October 2011.

The Company will make further announcements with respect to proposed timetable and firming-up rig and equipment contracts so as to keep the market fully informed.

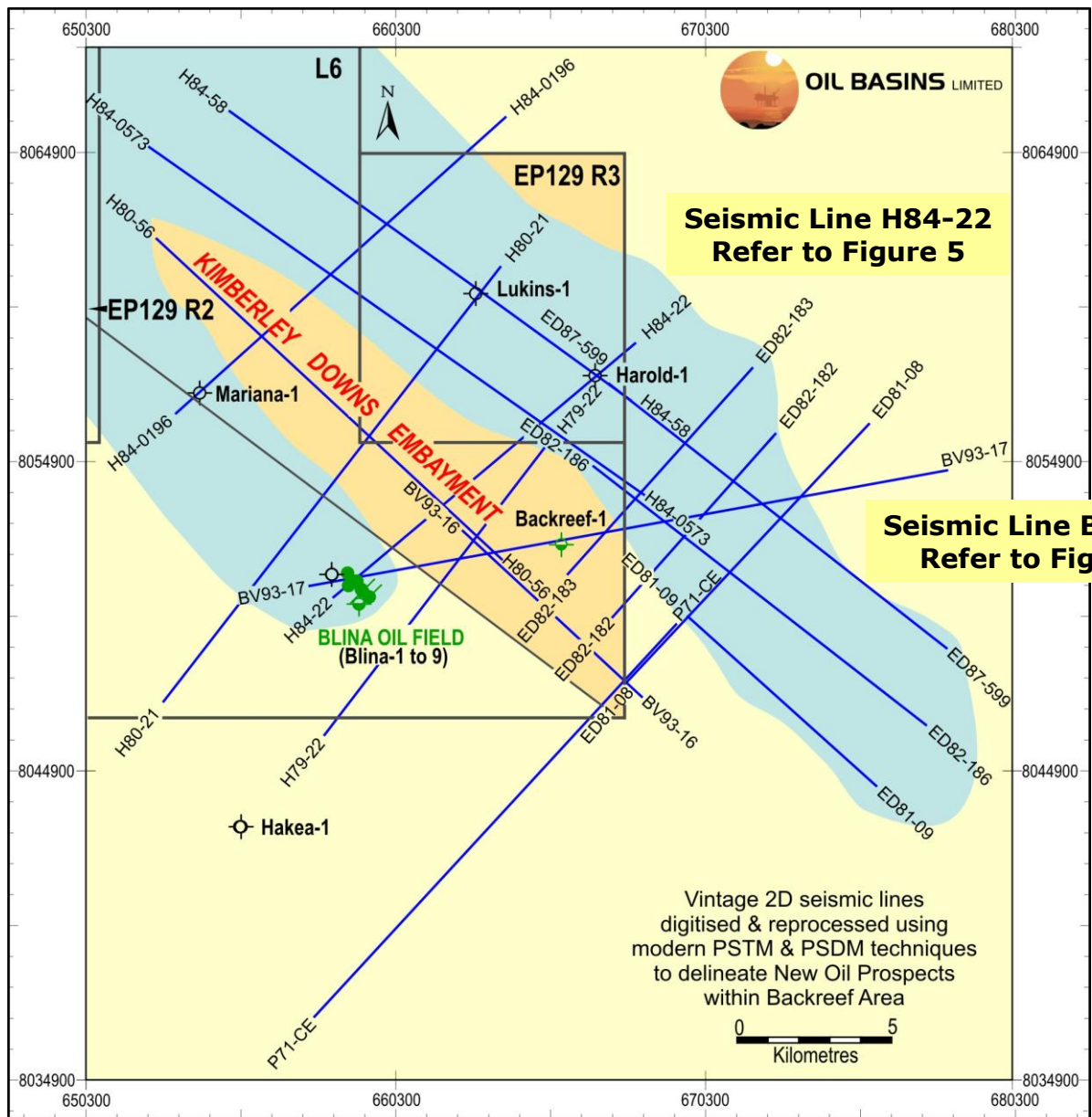
Yours sincerely



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GLOSSARY & PETROLEUM UNITS

G&G	Geological and geophysical
PBTD	Plugged back total depth
PRMS	Petroleum Resource Management System Guidelines developed by the Society of Petroleum Engineers (SPE) for the reporting of hydrocarbon volumes.
PSTM	Pre-stack time migration – reprocessing method used with seismic.
PSDM	Pre-stack depth migration – reprocessing method used with seismic converting time into depth.



Reprocessed Lines Kimberley Downs Embayment - Canning Basin

Figure 1
Vintage 2D seismic lines digitised and reprocessed by PSTM & PSDM –
within principal region of interest Backreef Area
(prior to installing PSTM on advanced Petrel™ software)

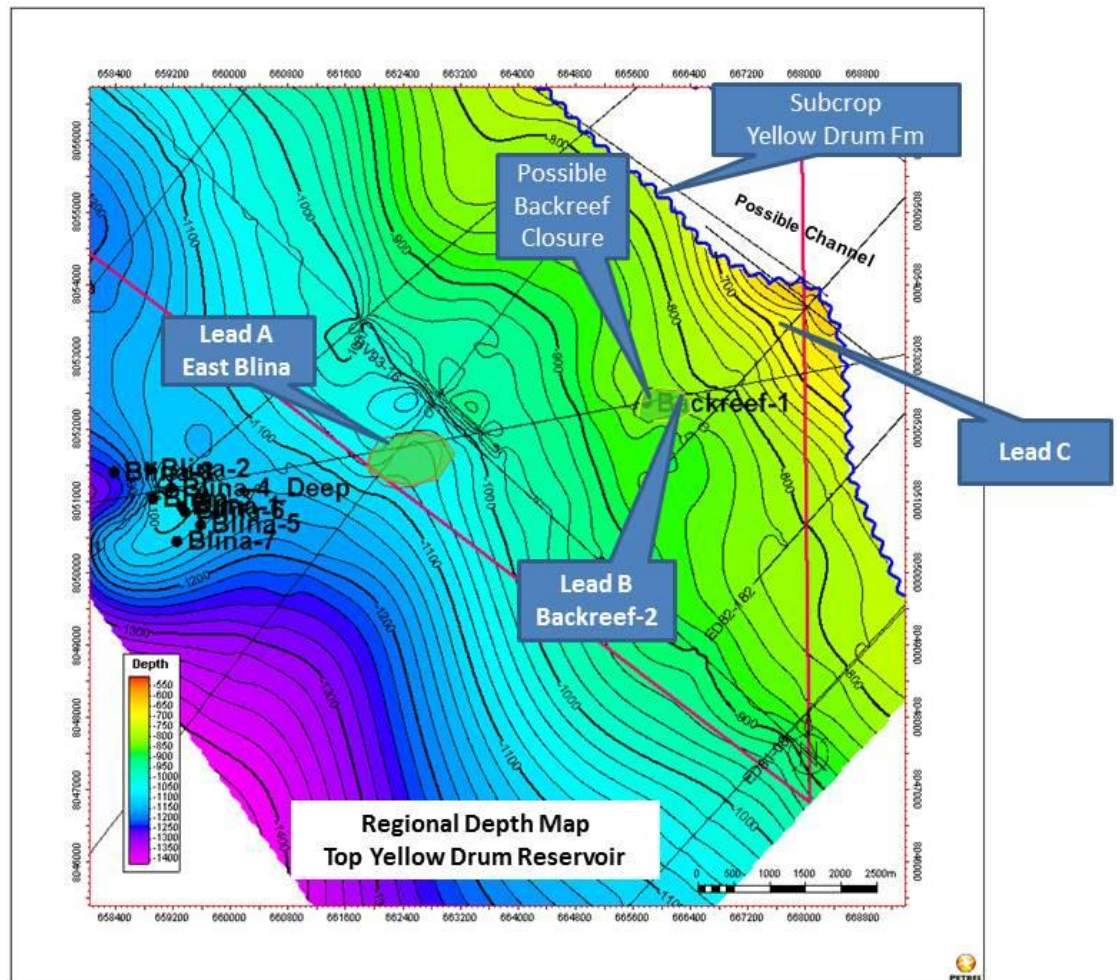


Figure 2
Backreef-1 and Lead A (East Blina) within Backreef Area
*(upscaled to illustrate extent of prospective potential minimum oil pool closures
 Petrel™ software analysis of G&G interpretation)*

2011 PLANNED & POSSIBLE CONTINGENT WORK PROGRAM

1. Production Test the Backreef-1 well – subject to completion of current SPP capital raising.
2. Subject to Farmin, Backreef-1 test results and remaining ‘good weather window’ – consider Backreef-2 step out well – objective to core Yellow Drum dolomites and conduct production test.

2012 MINIMUM WORK PROGRAM (IN EVENT OF FAILURE AT BACKREEF-1)

3. Drill and production test Lead A ‘East Blina-1’.

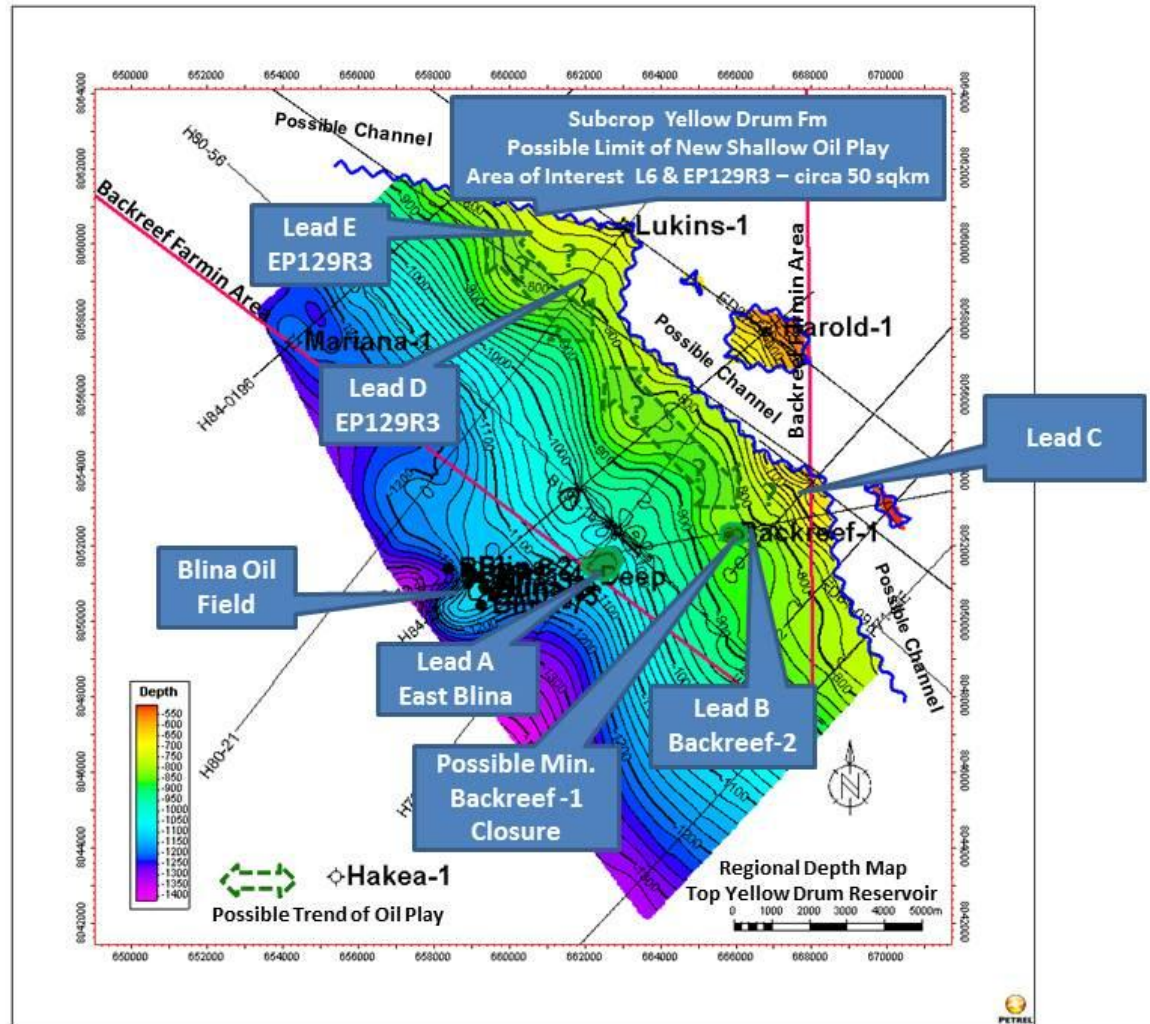


Figure 3
Preliminary Leads within Backreef Area
*(Petrel™ software analysis of G&G interpretation
 Leads C, D & E locations are illustrative only)*

EXPANDED 2012 POSSIBLE WORK PROGRAM

IN EVENT OF SUCCESS AT BACKREEF-1

1. Drill, core and production test Lead B ‘Backreef-2’ in event not drilled during 2011 – high priority well within L6
2. Drill, core and production test Lead A ‘East Blina-1’ – high priority well within L6
3. Drill, core and production test Lead C – within L6 testing Yellow Drum subcrop seal to the east.
4. Drill, core and production test Leads D & E – within EP129R2 testing Yellow Drum subcrop seal to the north and north-east.

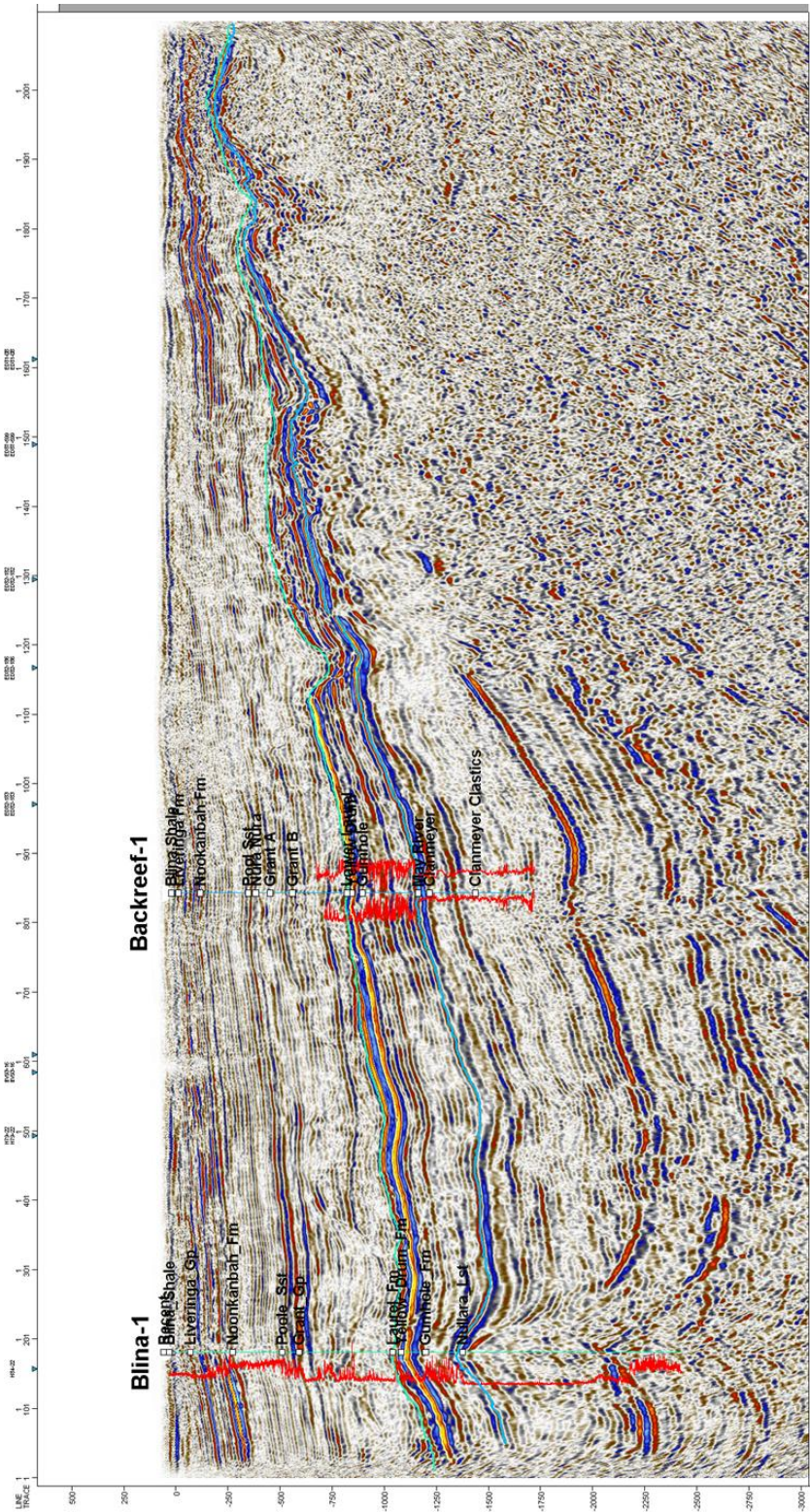


Figure 4
Seismic Line BV93-17 – OBL interpretation
(within Backreef Area showing Kimberley Downs Embayment formation tops, Blina-1 and Backreef-1 wells wireline gamma ray logs – see also Figure 1)

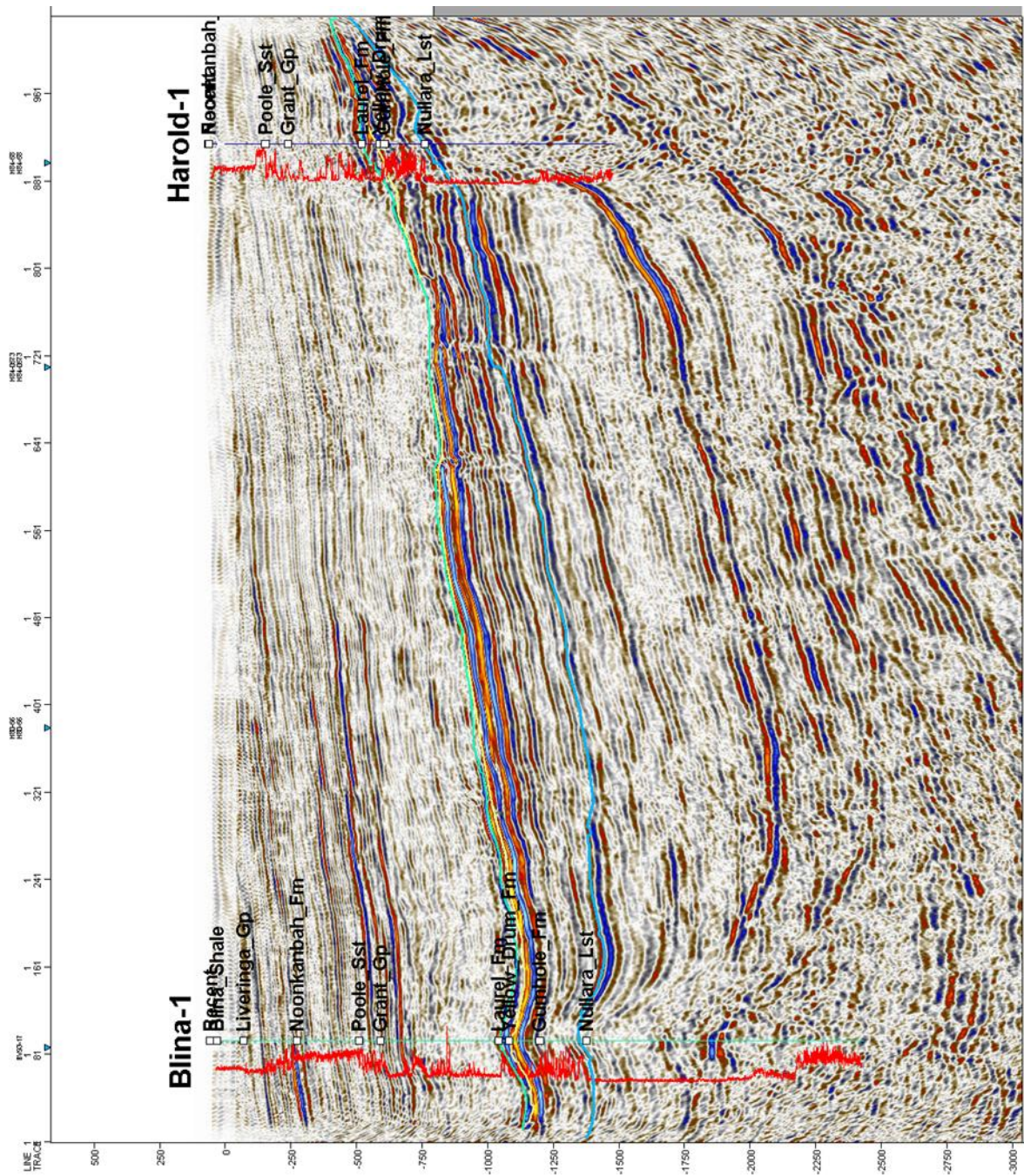


Figure 5
Seismic Line H84-22 PSDM – OBL interpretation
(within Backreef Area showing Kimberley Downs Embayment formation tops, Blina-1 & Harold-1 wells wireline gamma ray logs – see also Figure 1)

APPENDIX A

TECHNICAL CONCLUSIONS OF THE BACKREEF-1 WELL COMPLETION REPORT

Backreef-1 was spudded on 11 October 2010 and was a vertical exploration land well located within the Backreef Area of Production Lease L6 in the onshore Canning Basin, approximately 70km east of Derby, Western Australia – refer to **Figure 6**.

The well was deepened 200m from an originally planned TD of 1600m to a revised TD of 1800m to obtain further stratigraphic information (including the development of possible reservoir facies) deeper in the Clanmeyer Formation and investigate increasing mud gas indications including the presence of 'heavies' (C3 – C4) in addition to C1 and C2 which predominated in the upper part of the formation.

The primary exploration objective of Backreef-1 was to explore for reservoir hydrocarbons in sandstones within the Devonian-aged Clanmeyer Formation in the Kimberley Downs Embayment southwest of Harold-1 and northeast of the Blina Oil Field. These sandstones were interpreted to have been deposited as a submarine channel / fan complex in the embayment between the margining Devonian carbonate platform to the north and the Blina reefal complex, comprising more isolated reefal build-ups to the south. However, as the Clanmeyer Formation clastic sequence had not been drilled previously in the Kimberley Downs Embayment, its stratigraphy in this region prior to Backreef-1 was essentially unknown.

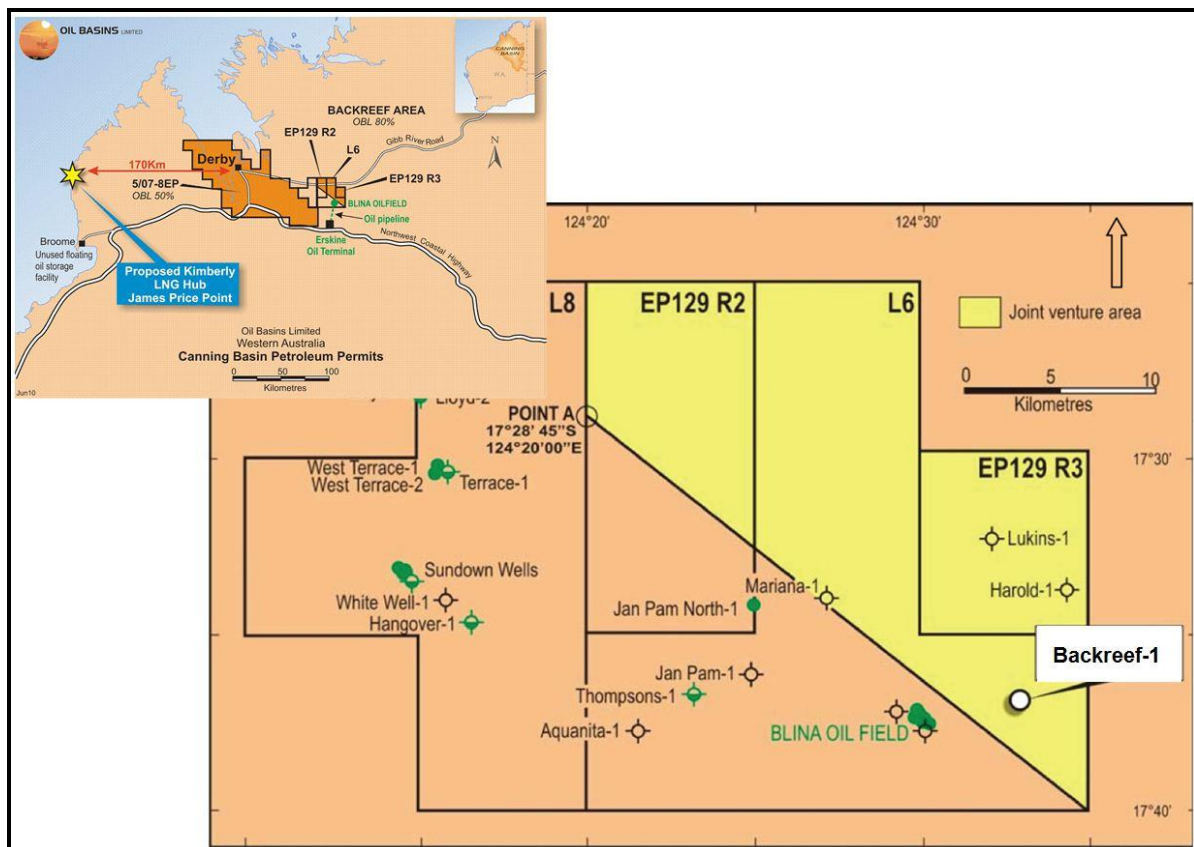


Figure 6
Backreef-1 Well Location Map within Backreef Area & Regional Location

The presence of the sandstones in the submarine fan complex was based on the interpretation of acoustic impedance characteristics, first indicated on a seismic acoustic impedance inversion conducted on seismic line BV93-17 by Robertson Research in the

1980s. Low impedance anomalies were interpreted as being indicative of sandstone reservoir facies. This depositional model was guided by the presence of coarse clastics interbedded with carbonates and finer grained clastics scattered in outcrop along the northern margin of the Canning Basin.

The application of modern seismic inversion techniques to reprocessed PSTM seismic data (including Line BV93-17), conducted by Dayboro Geophysical for OBL, verified the apparent presence of low impedance in this section. However, like the Robertson Research inversion before it, this processing was also model driven and could not be directly validated by well ties. The reservoir play and stratigraphy prognosed at Backreef-1 was based entirely on this seismic interpretation of the inversion data and the interpreted reservoir model. Inversion data inspected and interpreted on its own without the collaboration of well ties, can be misleading. The true nature of the sequence could not be interpreted with certainty prior to drilling.

Consequently Backreef-1 was an important well to gather stratigraphic information of the Clanmeyer Formation which could then be tied to future seismic inversion data, providing a much better interpretation and predictive capability. A secondary objective was to gauge the Clanmeyer Formation's potential for shale gas.

The stratigraphic prognosis and formation tops for Backreef-1 was made utilising interpretation of newly reprocessed seismic data (Seismic Line BV93-17 PSTM and PSDM sections), seismic velocities and ties to surrounding wells. Backreef-1 intersected the expected stratigraphic section with formations intersected close to prognosis.

Late Devonian – Early Carboniferous platform carbonate sequences belonging to the Gumhole, Yellow Drum and Laurel formations while not specifically targeted by Backreef-1, were to be evaluated below surface casing while drilling deeper to the main Clanmeyer objective and later (like the Clanmeyer Formation) fully evaluated by wireline logs. Oil shows were encountered in these formations while drilling the Blina wells and a small quantity of oil had been recovered from a DST. However at Blina, generally poor porosity and low permeability precluded sustained production from these sequences with wells on the Blina Field producing oil from fractured carbonates in the underlying Nullara Limestone.

No hydrocarbon shows and very low levels of mud gas (C1) were encountered in the Grant Formation. Hydrocarbon fluorescence and generally low level gas shows (C1 – C3 with minor C4 – C5) were recorded in Limestone/Dolomites of the Laurel, Yellow Drum and Gumhole formations. Some 223m of continuous hydrocarbon fluorescence and cut was observed between 889m -1112m with the best oil shows occurring in the zone between 910m - 965m in the Yellow Drum and upper part of the Gumhole formations.

Mudgas fell away in the upper part of the Clanmeyer sequence (C1 – C2) but started to show an increasing trend accompanied by C3 – C4 when drilling the lower part of the sequence (the Clanmeyer Clastic sequence). However a coarse clastic sandstone reservoir sequence was not encountered while drilling, with the sequence represented predominately of siltstone and claystone with minor fine grained, calcareous sandstone. Interbedded limestone and dolomite were encountered throughout the sequence, becoming more prominent towards the base of the well.

Reservoir quality sandstone was not encountered in the Clanmeyer Formation at Backreef-1. The low impedance seen on the seismic corresponds to the presence of low impedance siltstone and claystone, and contrasting with the much harder fine grained calcareous sandstone, limestone and dolomite beds.

Wireline logging of Backreef-1 occurred on 28 October 2010 using the Baker Hughes X-MAC/HDIL/ZDL/CN/RT combination wireline logging tool. This was followed by the Baker wireline Formation-Multi-Tester (FMT) tool which attempted some 44 formation pressure points of which 25 were successful. Most of the successful readings were from the Grant Formation which, when plotted, gave a normal water gradient.

Only three were successful in prospective Laurel, Yellow Drum or Gumhole formations, not enough to establish a definitive water or oil trend.

Attempts at obtaining formation fluid samples were unsuccessful with the tool becoming stuck. Although successfully retrieved with an overshot run on drill pipe, further attempts at formation sampling or pressure tests were not attempted.

Petrophysical evaluation of wireline logs integrated with pressure and mobility results from the FMT tool was undertaken by Weatherford.

The Grant Formation in the interval between 743-894.5m is a water bearing sandstone with good porosity (25 - 30%). The FMT pressure points gave a formation water gradient of 1.014g/cc. Log analysis calculates a formation water salinity of 3000 ppm.

The Laurel Formation 894.6 - 910 mMDRT is predominantly a tight limestone and is likely to be an effective seal for the hydrocarbon trap delineated by the Backreef-1. The tight Laurel limestones could constitute an effective regional seal in the Kimberley Downs Embayment and if so, would be an important formation top to map for future exploration in the region. As it is the first carbonate reflector beneath the clastics of the Grant Formation, it is relatively easy to map. Carbonate facies in the underlying Yellow Drum and the Gumhole formations between 910 – 1231 mMDRT are very similar to facies found in the adjacent Blina field with porous dolomites interbedded with tight limestones.

The integrated analysis using nearby Blina fluid properties indicates a potential (in the absence of fluid sample from the well) for 39.2 m of net oil pay over a gross reservoir interval 48.9m in dolomitic carbonate reservoirs within the Laurel, Yellow Drum and Gumhole formations. Water saturations (SWirr) as low as 20% with porosity as high as 22% were calculated using a formation water salinity of 80,000 ppm (salinity assumption was based upon the nearby down-dip Blina Oil Field in the absence of a FMT fluid sample). The gas wetness ratio plot validates the OH log interpretation results in the detection of a predominantly oil column.

The net pay section has an average porosity (PHIE) of 13.6% and average water saturation (SWE) of 29.5%. A risked conservative (unstimulated) moveable oil interval within the tight dolomites of around 3.9m has been determined in the Yellow Drum / Gumhole formations.

Formation fluid samples and measurements are required to validate the input values used in the log analysis. Dolomitisation is often caused by fresher water fluid intrusion and in such cases interpreted results would be optimistic. Fluid samples are therefore required to confirm the formation water salinity in the Limestone, Dolomite and Sandstone units and the presence of an oil column. A DST (or cased hole test) is required to confirm the presence and producibility of oil – evident best zone to production test is circa 957m to 963m RT.

The interval from 1285 – 1800 mMDRT (TD) in the Clanmeyer Formation is predominantly a shaley section that is considered to have potential for gas shale. Mud gas, while low in the upper part of the formation, increased moderately towards the base of the drilled Clanmeyer section with the introduction of C3 – C4. Gas shale properties can vary enormously between fields and in different sections of the same reservoir, so caution is required in any evaluation. The technology to process gas shale reservoirs is still in its infancy with most of the work done in North America, with the Barnett field the most prolific reservoir today.

Using North American examples, gas shales normally have some of the following properties:

- Have a shale content less than 50%.
- Dissolved gas needs a medium to flow gas and sand is usually greater than 50% (55% average sand content in the Barnett shales).
- Have a sand porosity that is medium to high.
- Have a relatively high GR reading (up to 800 API units in some fields and the GR is then a poor clay indicator).
- Other clay indicators such as Rt or D-N cross plots are often used.
- Have a relatively high resistivity (> 200 ohm).
- Gas shales are often associated with Pyrite and Apatite.

At Backreef-1 the interpretation is empirical at best without core data input. The main results are:

- The Density – Neutron (D-N) log shows normal type of shales. In typical gas shales with 50% sand, the points should fall more towards the (blue) limestone line.
- Sandstone porosity is very low and close to zero.
- Brittleness in these cemented sandstones is likely to be high and could be potential reservoir (with gas flowing from fractures) if dealing with a gas shale.
- Resistivity in the shales is too low (2 - 8 ohm) for the Clanmeyer shales to be considered typical of a gas shale.

Backreef-1 was cased and suspended at a Plugged Back Total Depth (PBSD) of 1155mRT for a possible re-entry and further testing and evaluation. The rig was released at 1200 hours on 2 November 2010.

DISCLAIMER

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 or commercially produced to the surface.

Technical Reserves in this preliminary assessment are considered similar to the definition of Contingent Resources (ie Low, Medium and High Estimate) with the following important caveat - it must be appreciated that the risked volumes as reported in terms of undeveloped Contingent Resources and Prospective Resources are risk assessed only in the context of applying ‘Geological Chance of Success’. This degree of risk assessment does not incorporate the considerations of reservoir & economic uncertainty and commerciality and consequently no future development as such can be assured with the proposed Production Test at Backreef-1.

The technical information quoted has been compiled and/or assessed by Company Director Mr Neil Doyle (from a number of sources including the Backreef-1 Well Completion Report lodged with the DMP) 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 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. Investors should review the ASX materials and independent expert reports previously quoted and the important definitions and disclaimers attached.