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ASX Markets Announcements
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
Sydney NSW 2000

Dear Sirs

BACKREEF-1 PRODUCTION TEST

Oil Basins Limited (ASX codes **OBL**, **OBLOA** and **OBLOB** or the Company) wishes to make the following announcement so as to keep the market fully informed.

The Company, as operator Backreef Area, wishes to advise that subject to receiving all necessary approvals and consents from the DMP to conduct the forthcoming Backreef-1 Production Tests the anticipate timetable is as follows:

Rig-up of ADS Rig#2*	15 May^
Production testing	17 – 20 May^
Rig-down/demobilisation	Circa 21 May^

Notes: * Site works were completed as expected on 4 May 2012. ^ Indicative and subject to change.

OBL will duly advise the market of the following:

1) When all approvals have been obtained;

2) When the ADS Rig#2 has arrived onsite; and

3) Summary of the test results at the conclusion of the Backreef-1 Production Test program.

In addition, with the significant additional costs of conducting two production tests (rather than only one as originally planned in the previous budget of $900,000) and the unforeseen additional costs associated with site works and mobilization of an appropriate camp from Geraldton (rather than Derby area), the likely revised budget is now circa $1.8 million.

Attached to this Update are the objectives of the Backreef-1 Production Test program.

Yours faithfully

Neil Doyle SPE
Director & CEO

BACKREEF-1 PRODUCTION TEST

Objectives

1) To conduct a production test under strict PRMS SPE guidelines.

2) To recover hydrocarbons to the surface either via modern (Sampler Chamber) packer test* or conventional DST.

3) Characterise the previously poorly defined reservoir fluid properties.

4) Establish steady state downhole reservoir pressure and surface fluid production rates and fluid and hydrocarbon composition.

5) Better define the nature of the possible contingent resources and so better define the subsequent Work Program 2012 i.e. EPT / Backreef-2 or East Blina-1

*The sampler allows a downhole reservoir fluid sample to be retrieved. It functions in sequence with the hydraulic shut-in tool. Once the hydraulic shut-in tool is opened, the sampler will be opened and it captures a sample once the shut-in tool is closed.

Backreef-1 – Present Status

- First well drilled within Kimberley Downs Embayment and first well in L6 for circa 25 years
- Safely drilled to 1800mRT in October 2010
- Cost approx $4.55 m
- Over 223m of continuous fluorescence observed 889m -1112m RT
- The zone between 910m - 965mRT being most prospective
- Well suspended at PBTD of 1155mRT

Weatherford's proprietary Petrolog CPX Petrophysical Assessment of Backreef-1 Logs (*refer to OBL ASX Release dated 29 November 2010)* delineated:

- Porosity circa 22% - much higher than Blina Oil Field reservoir equivalent units
- Reservoirs :Yellow Drum equivalent and Gumhole dolomites – porosity circa 22%
- Gross Reservoir interval 48.9m
- Net Oil Pay interval 39.2m; including **(Zone 2)** 22m (best interval) 918m to 940mRT
- Risked Net Free oil 3.9m pre-stimulation **(Zone 1**) (best interval) 957-961m RT
- SwIrr = 20%

Production Test Program

Two separate production tests will be conducted, one after another, across intervals in the Gumhole and Yellow Drum dolomites.

1) **Production Test 1** – Gumhole Formation **(Zone 1)** – **4 m interval** from 957 m to 961 mRT – assessed on logs by both Weatherford and independently by RPS Energy (RPS) as best productive interval within the delineated dolomites - *refer to OBL ASX Releases dated 24 November 2011 and 16 January 2012*.

2) **Production Test 2** – Yellow Drum Formation **(Zone 2)** – **22 m interval** from 918 m to 940 mRT – assessed on logs by Weatherford as being prospective, albeit within a tight dolomite upper section *(Note: RPS did not include or consider Zone 2 in its evaluation).*

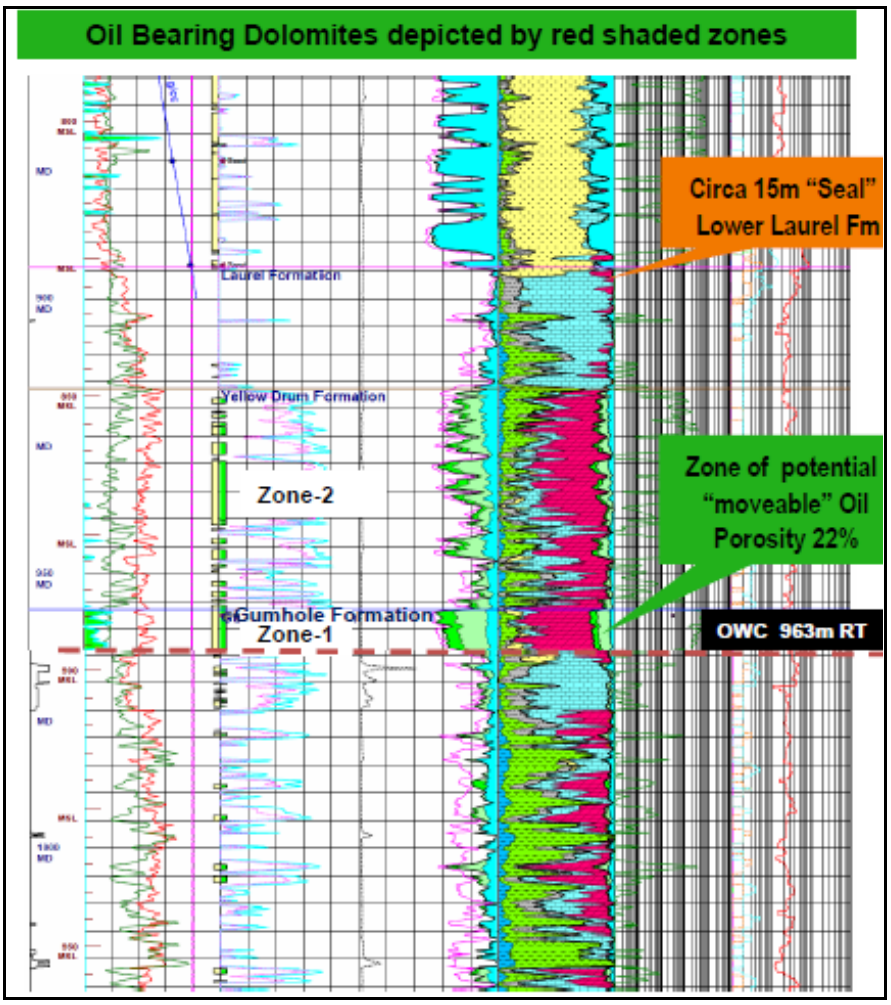

Figure 1: Backreef-1 Production Test Zones 1 and 2

Potential Impact of Production Tests

- If the lower test in the Gumhole Formation **(Zone 1, Figure 1)** recovers hydrocarbons, the result will be consistent with the Backreef Oil Pool contingent resource estimate determined by the earlier RPS study.

- If Zone 1 recovers oil, then this column is below the interpreted structural closure and the trap is possibly stratigraphic in nature **(Figures 2 and 3)**.

- If in addition, the upper zone in the Yellow Drum Formation **(Zone 2)** recovers hydrocarbons then OBL's interpretation is that this oil column is likely contained by structural closure.

- In the event that both zones fail to recover significant hydrocarbons, the interpretation could be that Backreef-1 drilled the reservoirs just below the field oil/water contact, possibly within the transition zone between the oil column and the underlying water.

- The presence of a transition zone is supported by the observation of live oil shows in the two reservoir zones.

- If no significant hydrocarbons are recovered in the two tests, then OBL will then consider better defining the Backreef structure with additional seismic acquisition.

- Potential for structural closure up-dip of Backreef-1 does occur because the structure at present is defined by a single seismic line **(Figures 2 and 3)** - refer also to the RPS study.

- Future appraisal of the Backreef structure would then be aimed at penetrating the reservoirs at a structurally higher position than at Backreef-1.

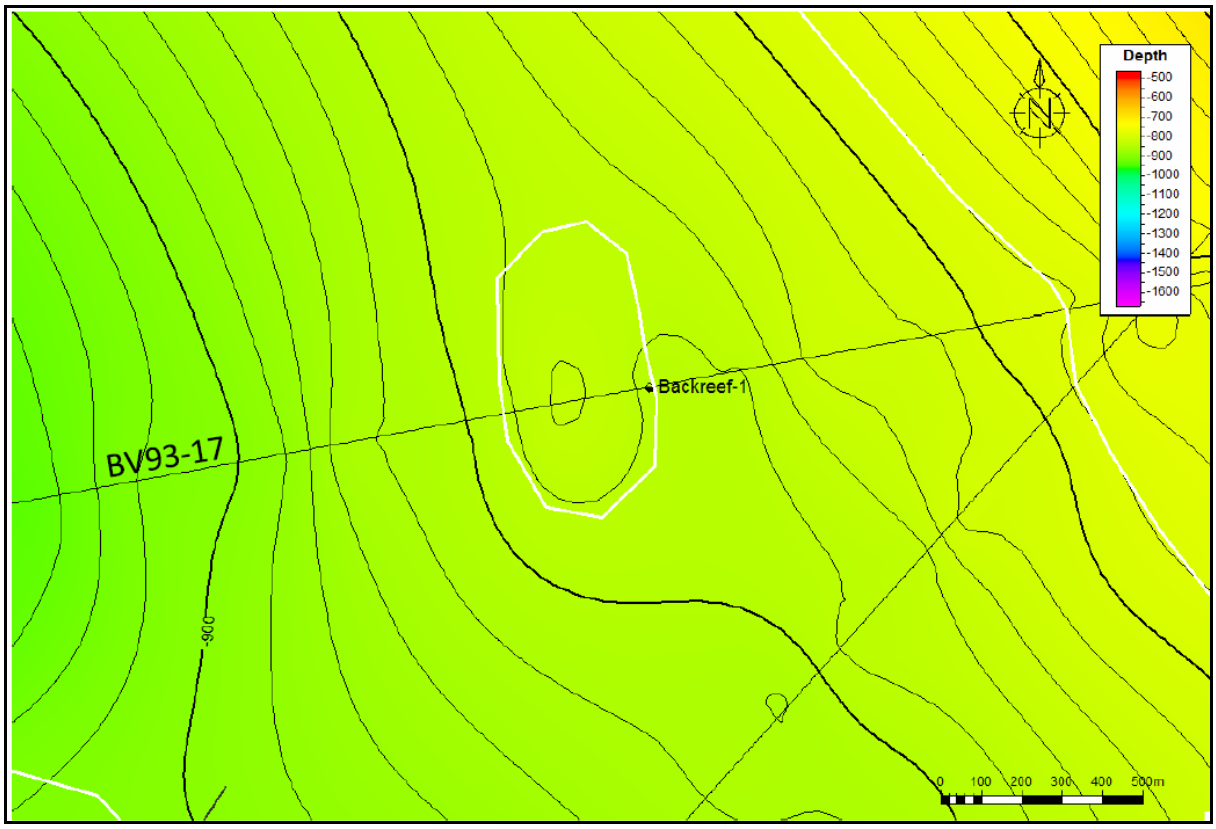

Figure 2: Backreef Structure – Top Yellow Drum Formation
Source RPS

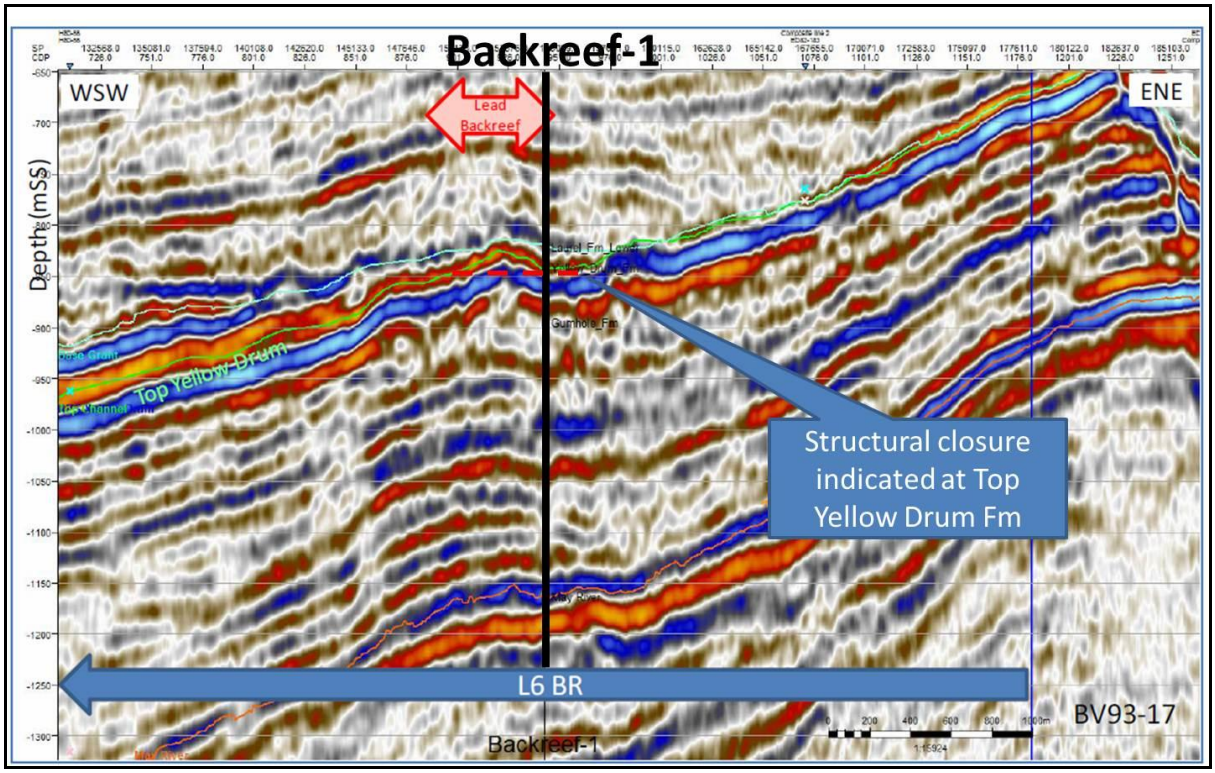

Figure 3: PSDM Seismic Line BV93-17 across the Backreef Structure
Source RPS

DISCLAIMER

The technical information quoted has been complied and / or assessed by Mr Geoff Geary who is a professional geologist (Bachelor Science – Geology) with over 32 years standing and who is also a Member of Petroleum Exploration Society of Australia. Mr Geary has consented to the inclusion of the technical assessment in this ASX announcement. Investors are reminded at all times refer to the appropriate OBL ASX Releases and the information in the form and context in which they originally appear and in particular to the review the risk sections of the RPS expert report.

GLOSSARY & PETROLEUM UNITS

M	Thousand
MM	Million
B	Billion
bbl	Barrel of crude oil (ie 159 litres)
PJ	Peta Joule (1,000 Tera Joules (TJ))
Bcf	Billion cubic feet
Tcf	Trillion cubic feet (ie 1,000 Bcf)
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
FMT	Formation testing (pressure & sampling) tool
TD	Total depth
GIP	Gas in Place
RT	Relative to rotary turntable
OWC	Oil water contact
STOIIP	Stock tank oil in place (stabilised crude at atmospheric conditions) – also commonly referred to as Oil in Place (OIP)
SwIrr	Irreducible water saturation