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

Dear Sirs

## *EAST BLINA-1 UPDATE – RIG CONTRACT EXECUTED*

Further to the earlier ASX Release dated 14 August, 2012, Oil Basins Limited (ASX codes **OBL, OBLOB**) (**OBL** or the **Company**) wishes to make the following ASX Announcement, so as to keep the market fully informed.

The Company, as designated Operator on behalf of the Backreef Area Joint Venture (OBL net 80% and Green Rock Energy Limited (ASX code **GRK**) net 20% beneficial interests respectively) has now significantly advanced its preparations for the proposed 2012 Canning Basin drilling operations, whereby it has completed the following:

- On 30 August 2012, a Joint Venture Meeting finalised preferred rig selection and approved an indicative budget for the proposed drilling of East Blina-1 (Figure 1).

- Earlier in mid-August, OBL lodged a draft bridging Environment Management Plan and from subsequent discussions and advice from DMP Environment, OBL's contractors on 5 September 2012 re-inspected the proposed site and conducted a survey of selected vegetation and pegged both the site and proposed short roadway area for East Blina-1 (as this location is located in a potentially environmentally sensitive area within the Backreef Area of Production Licence L6, Canning Basin).

- Once the proposed cleared area was found to be acceptable by the second site reconnaissance, a Preliminary Drilling Program using Dynamic Drilling Rig#17 was lodged with the Department of Mines and Petroleum **(DMP)** on 7 September 2012.

  On 17 September 2012, OBL executed a contract agreement with Dynamic Drilling for the provision of its Petroleum Drilling Rig#17 for the drilling of East Blina-1 (Figure 2).

- OBL now anticipates the DMP Environment clearances to be finalised by circa 30 September 2012 and the DMP approved Drilling Program shortly thereafter, after which all stakeholders will be advised and earthmoving contractors will be engaged to prepare the site.

OBL will advise the market at the end of September on the stakeholders approvals progress and timing of rig arrival and once all service contractors have been settled, the final estimated dry hole costs (which are presently below $2.5 million).

**Exploration Well:**

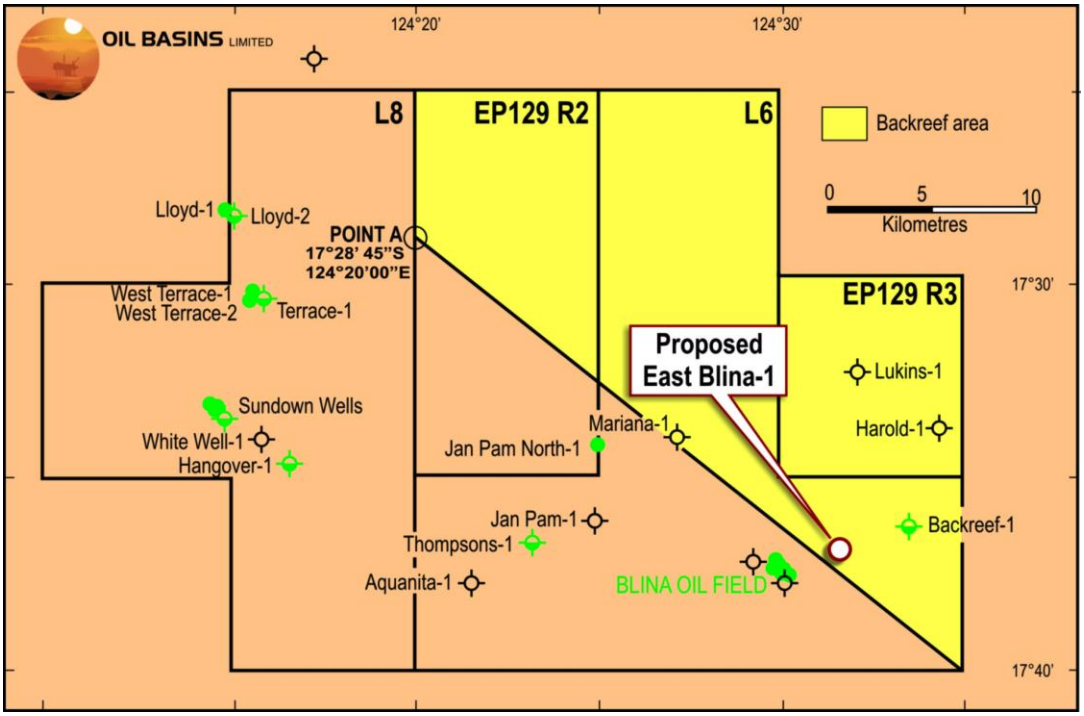


**Figure 1**
Location of East Blina-1 within Backreef Area

East Blina-1

Total Depth 1210m

Longitude: 124° 31' 38.51" East

Latitude: 17° 36' 56.14" South

Seismic Line: BV 93-17 S 522

Refer to Figures 3 to 5 for Company information of location and prospect size *(refer also to Figure 6 for recent GRK mapped assessment.*

Primary Objective: highly permeable basal Yellow Drum dolomite reservoir (Famennian 3B) which OBL has recently re-interpreted and prognosed at 27m thick at East Blina-1.

**Drilling Rationale:**

The primary target in East Blina-1 comprises dolomitic carbonate reservoirs in the Late Devonian-aged (Famennian) Yellow Drum Formation. The main basal Yellow Drum dolomitic reservoir is associated with a structural relief of some 27m seen on Seismic Line BV 93-17 (PSDM processed). Excellent porosity and permeability (average porosity = 17%, K = 500 mD on test) was encountered in a basal Yellow Drum dolomite reservoir (the Yellow Drum reservoir was formerly referred to as part of the Gumhole Formation as tested at Backreef-1 by DST-1) sequence at Backreef-1 some 4 km to the east-northeast. This reservoir flowed fresh water at a calculated rate of 1,000 bbl per day on test at Backreef-1 and oil samples were collected at the surface. Porosity and permeability together with oil saturation was also encountered in the same unit at Blina-1 2.7 km to the west-southwest (although the reservoir properties were not so well developed here as at Backreef-1). At Blina-1 DST-2 flowed 36.7 deg API oil at a calculated rate of 37.74 bopd.

Although porosities in excess of 20% were encountered in an overlying Yellow Drum dolomitic carbonate (Famennian 4) unit, the results of DST-2 at Backreef-1 indicated poor permeability development (K = 0.1 - 10 mD) in this interval. Nonetheless, the recovery of significantly more saline water than encountered in the basal Yellow Drum dolomite provides evidence that effective intra-formational seals are present within the Yellow Drum reservoir.

**Rig:**

Dynamic Drilling Rig 17 which is presently located in Chinchilla, South East Queensland

**Figure 2**
Photograph of Bourne 2000THD (rated at 1500m) – Dynamic Drilling Rig#17

**Commencement:**

East Blina-1 is the second well that OBL has drilled as operator and the third rig that the Company has deployed in the Canning since September 2010. It is expected that East Blina-1 will spud in early October 2012 and be completed in approximately 10 days and ahead of the deadline for completion of the second and final Backreef Area farmin commitment well by 31 October 2012.

Yours faithfully

Neil Doyle, SPE
Director & CEO

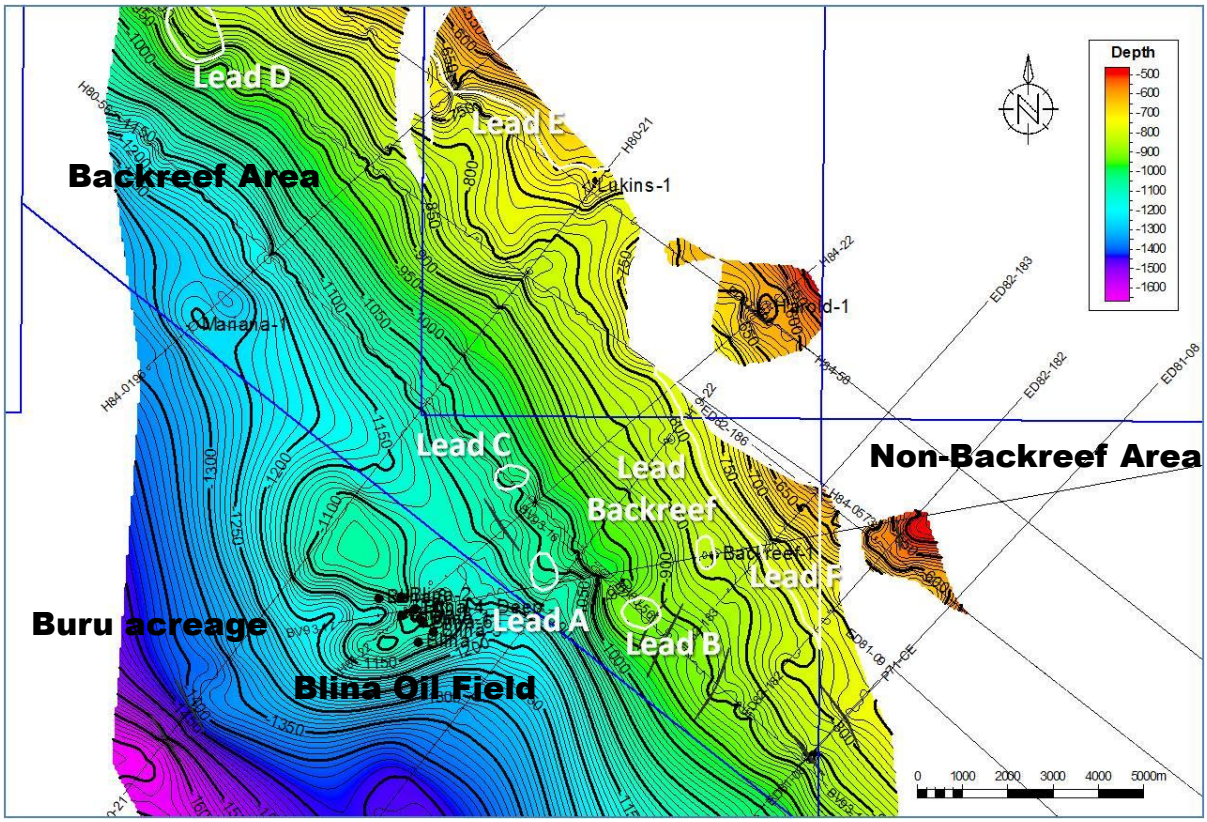


**Figure 3**

Location of East Blina-1 (Lead A) within Backreef Area showing mapping of Shallow Oil Play
*(Oil Basins mapping of 16 reprocessed vintage 2D lines using PSDM & using Petrel TM)*

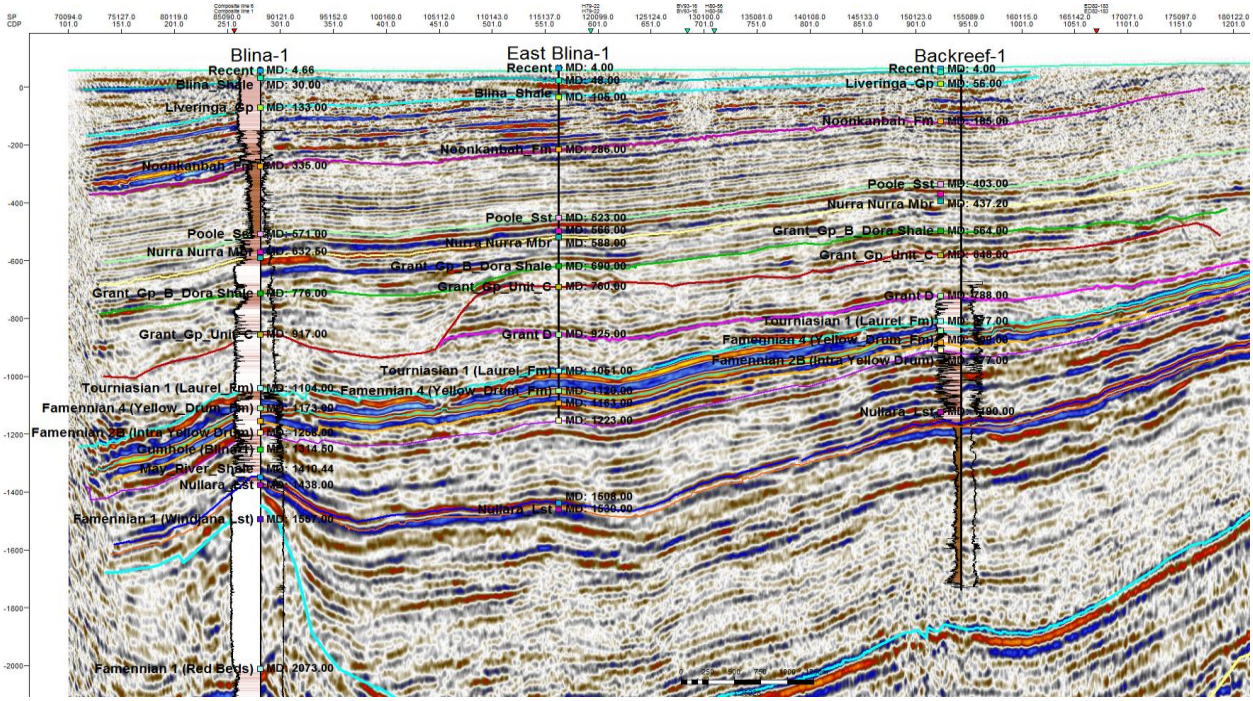


**Figure 4**

PSDM East Blina-1 within Backreef Area and comparison with Blina-1 and Backreef-1 logs
*(Oil Basins assessment)*

| Lead | Target | Gross Rock Volume km$^2$.m | | | |
|---|---|---|---|---|---|
| | | **P90** | **P50** | **P10** | **Mean** |
| **East Blina-1 (Lead A)** | Top Yellow Drum Formation structural rollover observed on one seismic line, BV93-17 and is located approximately 3 km east and updip of the Blina field, and 4 km west of Backreef-1 **(recent Production Test during May 2012, indicated Laurel style 'non-commercial oil discovery' evident within the highly productive zone lower Yellow Drum / Gumhole formation).** | **13.6** | **19.7** | **26.1** | **19.8** |
| | **STOIIP MMstb** | **1.00** | **1.86** | **3.08** | **1.97** |
| | Mapped P50 area and volumes area 0.359 km$^2$, GRV 19.7 km$^2$.m and Undiscovered STOIIP 1.86 MMstb | | | | |
| | **GPoS 8%** | **Low Estimate** | **Best Estimate** | **High Estimate** | **Mean Estimate** |
| | **Prospective Resources MMstb** | **0.18** | **0.47** | **0.96** | **0.49** |

**Figure 5**
Risked Assessment of East Blina-1 (Lead A) Prospective Resources
*(RPS Independent Assessment of Oil Basins Petrel ™ mapping & ignoring deeper USG)*

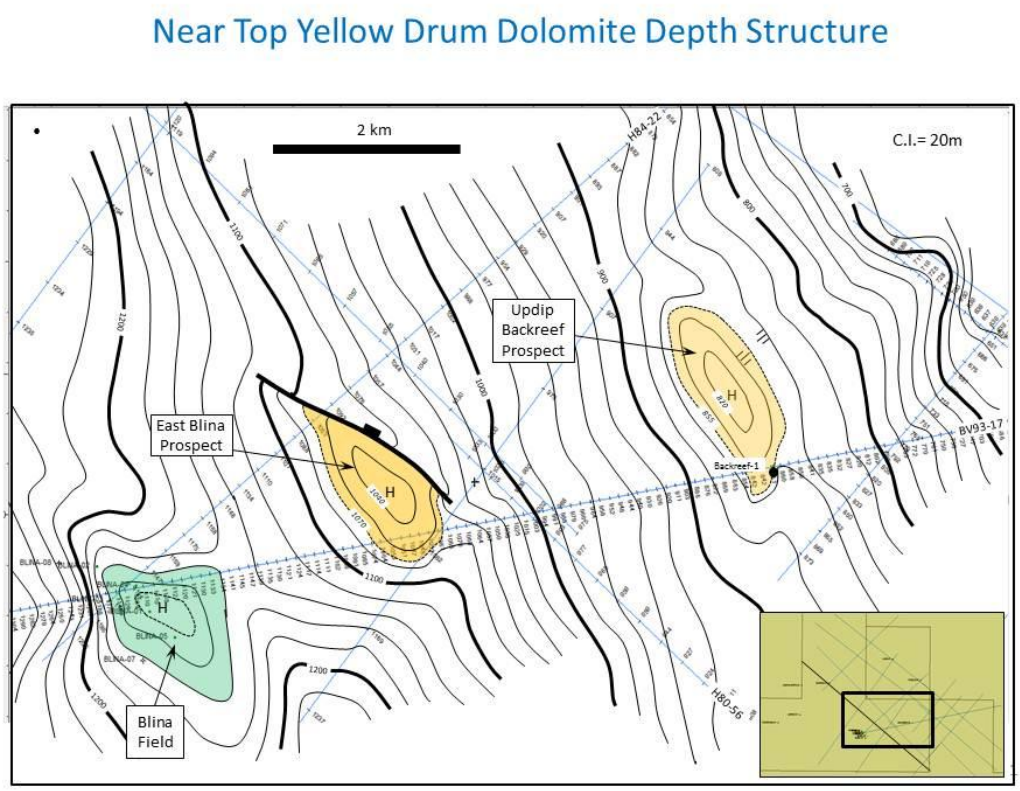


**Figure 6**
Recent new mapping of Prospective Resources Potential of East Blina Prospect by GRK
*(GRK assessment based upon mapping using Kingdom ™ has indicated potential for circa 50% more prospective resources in East Blina Prospect than previously assessed).*

## DISCLAIMER

The technical information quoted has been complied and / or assessed by Mr Geoff Geary, Exploration Consultant, OBL 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. The technical information relating to Figure 6 has been prepared by Mr Mark Ballesteros, Technical Advisor, GRK who is a professional geoscientist (Master of Science - Geology) with over 30 years standing and who is also a Member of Petroleum Exploration Society of Australia. Mr Ballesteros 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 independent expert report dated 24 November 2011 on OBL website.

## GLOSSARY & PETROLEUM UNITS

| | |
|---|---|
| M | Thousand |
| MM | Million |
| B | Billion |
| bbl | Barrel of crude oil (i.e. 159 litres) |
| PJ | Peta Joule (1,000 Tera Joules (TJ)) |
| Bcf | Billion cubic feet |
| Tcf | Trillion cubic feet (i.e. 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, also called a MDT or RFT |
| TD | Total depth |
| GIP | Gas in Place |
| GPoS | Geological Probability of Success |
| RT | Relative to rotary turntable |
| OWC | Oil water contact |
| STOIIP | Stock tank oil in place (stabilised crude at atmospheric sea level conditions) – also commonly referred to as Oil in Place (OIP) |
| SwIrr | Irreducible water saturation |
| stb | Recoverable stock tank barrels (stabilised barrels – as per above definition) |