



OIL BASINS LIMITED

ABN 56 006 024 764

15 November 2012

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

Dear Sirs

FORTESCUE METALS GROUP LTD TO BECOME A STRATEGIC CORNERSTONE INVESTOR IN OIL BASINS LIMITED

- Oil Basins Limited (ASX codes: **OBL**, **OBLOB** and/or **Company**) is pleased to advise the Australian Stock exchange that it has secured a Strategic Cornerstone Investment in the Company by Fortescue Metals Group Ltd (ASX code: **FMG**).
- The FMG investment will be by way of an immediate Strategic Placement comprising 120 million new fully paid OBL ordinary shares from OBL's existing placement capacity. In addition, FMG will be issued 100 million new 9 cent unlisted (**OBLAI**) options, exercisable on or before 30 June 2016 of which 54 million OBLAI options will be issued immediately and a further 46 million OBLAI options will be subject to an affirmative vote at an Extraordinary General Meeting (**EGM**) of OBL Shareholders to be held on or before 15 January 2013.
- The Placement is priced @ 3.5 cents per share, representing an approximate 40% premium to OBL's recent 7 day volume weighted average price, and will raise \$4.2 million, free of costs. In the event the 46 million options are not issued after the EGM, the above price will be reduced by \$690,000.
- Completion of the Placement is expected within 5 business days, at which time FMG will become a new substantial shareholder with circa 18.0% of OBL. All matters are subject to formal contract finalisation and are not binding until then.
- The funds raised by the Placement will support future funding requirements in the OBL Canning Basin assets and assist in further expanding its portfolio within its existing core areas of interest.
- In addition, OBL has agreed that FMG will be offered a priority farmin after Grant of a 25% share of petroleum exploration permit 507/8-EP (**Figure 1**), otherwise known as the "**Derby Block**", where OBL has presently application rights to 50% and is also

the designated USG and CSG operator, for a payment of \$1.75 million (after Grant) as part of a subsequent gross \$10.0 million free carry on a 2 for 1 basis (i.e. under these arrangements, OBL is expected to be fully funded for 2 years after Grant for the work program on the Derby Block).

- The Strategic Placement represents the first investment by FMG in the upstream energy sector and first investment by FMG outside of its core business of iron ore mining and development.
- Following completion of the Strategic Placement, OBL will offer FMG the right to appoint one senior representative to the OBL board of directors.
- FMG as part of its long-term Strategic Investment is pleased to endorse and support OBL's operatorship of all of its WA interests as OBL seeks to rapidly become the "**new third force**" in exploring and developing Canning Basin USG.
- Both parties have executed a confidentiality agreement and are working closely together on new project and development opportunities within Australia.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Kim McGrath', written in a cursive style.

Kim McGrath
Executive Chairman

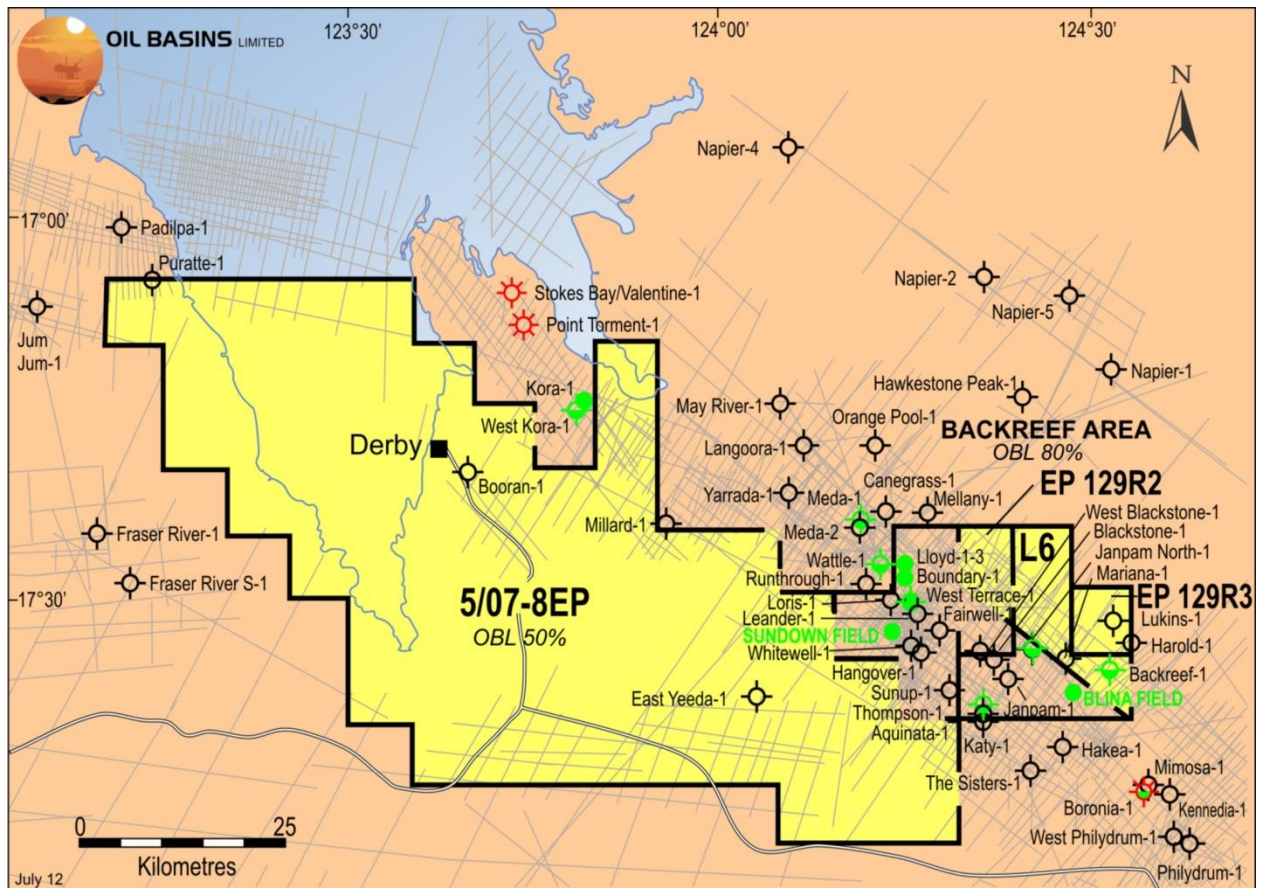


Figure 1
Oil Basins Limited's Canning Basin Acreage
Exploration Focus & Strategy

Yellow Drum Dolomite Formation Oil & Laurel and Gogo Formation Tight Gas & USG/USO

GLOSSARY & PETROLEUM UNITS

Natural Gas Apart from power station applications, high quality methane can be used as a valuable feedstock for petrochemical plants such as urea, ammonia, ammonium nitrate, gas to liquids (diesel) and LNG production.

Tcf Trillion cubic feet (ie 1,000 Bcf)

CSG Coal seam gas (CSG) or alternatively known as coal seam methane (CSM) is natural gas sourced from coal. Methane = CH₄ = H-H-C-H-H, which is the same as: conventional gas, landfill gas, peat gas. CSM is produced during the creation of coal from peat. The methane in CSM is adsorbed onto the surface of micropores in the coal. The amount of methane adsorbed increases with pressure. CSM is expelled from the seam over geologic time because coal has the capacity to hold only about a tenth of the methane it produces.

USG Unconventional shale gas

USO Unconventional shale oil

About Oil Basins Limited (OBL)

Oil Basins Limited (ASX codes: **OBL**, **OBLOB** and/or **Company**) is involved in exploration and development of oil and gas in the offshore Gippsland Basin, Victoria, the onshore Canning Basin of Western Australia and the offshore Carnarvon Basin, Western Australia.

Presently, the Company's exploration and investment portfolio includes:

Upstream

- 12.5% interest in Vic/P41 situated in the offshore Gippsland Basin
- 17% interest in Vic/P66 situated in the offshore Gippsland Basin
- 17.1% interest in ASX Listed Bass Strait Oil Company Ltd (ASX code **BAS**)
- 80% Beneficial Rights and operator of the Backreef Area, onshore Canning Basin (refer to **Figure 1**) – with the recent drilling of East Blina-1 by 31 October 2012, the Backreef Area Joint Venture has successfully completed the Backreef Play Agreement Farmin
- 50% interest and preferred applicant in 5/07-8 EP situated in the onshore Canning Basin (where OBL is the designated operator CSG and USG)
- 100% interest in and operator of Retention Lease R3/R1 situated in the offshore Carnarvon Basin containing the undeveloped Cyrano Oilfield

Downstream

- On 4 August 2010 OBL and Liquefied Natural Gas Ltd (ASX code **LNG**) signed a non-exclusive Strategic Alliance Agreement (**SAA**) in respect of natural gas, coal seam gas (**CSG**) and unconventional shale gas (**USG**) in the Canning Basin, Western Australia for the purpose of evaluation and the appropriate development of projects and in particular an LNG production facility in the Canning Basin Region using feedstock sourced from OBL acreage.
- Under the terms of the SAA, OBL will have the right, but not obligation, to invest in any such LNG project up to a maximum of 20% on an at cost basis, however this maximum becomes 30% should OBL and its JV consortia deliver certified 2P gas reserves of at least 1.0 TCF (in accordance with SPE definitions) within 4 years of work programs commencing in the field (ie after Grant specifically in the case of the Derby Block).

For more details refer to website www.oilbasins.com.au

About Fortescue Metals Group Ltd (FMG)

Fortescue Metals Group Ltd (ASX code: **FMG**) is a leading ASX listed company with a market capitalisation of presently greater than \$12.5 billion and is one of the largest business enterprises and energy users in Western Australia.

FMG is the “new third force” in iron ore production and development in Western Australia.

FMG’s initial mine, rail and port supply chain was constructed in less than two years from 2006. Fortescue reported record revenues of US\$6.7 billion in FY2012, only four years after loading its first ore on ship in 2008.

In FY2012 more than 55 million tonnes were mined and processed at FMG’s Cloudbreak and Christmas Creek mines. Construction is well underway to grow production at these mines to 95 million tonnes per annum (including 5mtpa from a 50/50 BC Iron Joint Venture). Expansion work is taking place across our rail and port infrastructure to enable FMG to transport and handle the increased volumes. Construction is progressing well at Firetail, FMG’s next mining operation at Solomon. Firetail will contribute 20 million tonnes per annum towards FMG’s total development target of 155 million tonnes per annum.

FMG will then become the fourth largest iron ore producer in the world.

For more details refer to **website www.fmg.com.au**