



OIL BASINS LIMITED

ABN 56 006 024 764

18 October 2011

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

Dear Sirs

POSTPONEMENT OF PRODUCTION TEST

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

Immediately the extent of the potential of the Backreef Oil Play area was delineated in mid-to late August 2011, the Company has used its best endeavours to plan, fund and coordinate a cased hole production test of its Backreef-1 cased and suspended well (situated within L6, Backreef Area Canning Basin – OBL 100% beneficial rights).

Regrettably, we wish to advise that due to the early onset of the rainy season in Western Kimberley and (despite best efforts) OBL's inability to attain all the necessary stakeholder consents, the proposed cased hole production test of Backreef-1 will be postponed to 2Q2012, with circa late April 2012 being the earliest estimated time (subject to the usual stakeholder consents and rig availability).

Investors would appreciate that the Company has actually no obligation to undertake the Backreef-1 cased hole production test, or indeed any field operations within the Backreef Area, during 2011.

In summary:

- Despite OBL's best efforts to date, the necessary stakeholder approvals have taken a lot longer than anticipated. We cannot access the site for re-clearing preparations until all approvals are in place, which we have been advised by our petroleum consultants is unlikely until mid-November 2011.
- Mindful of Canning Basin wet weather operations and their significant impact on mobilisation issues, shareholders are advised that the current weather window is not looking good, with the approach of an early wet season now imminent.

- Over the last week storms and rainfall have occurred in the West Kimberley / Kununurra region to the north and our petroleum consultants advise that yesterday it had rained on the road into Buru Energy's operations in EP417 (some 250km south east of the Backreef Area).
- As the Company doesn't need exposure to potentially onerous rig obligations, with no certainty that it can access the site when approvals are obtained, and with also the normal concerns surrounding safe operating conditions, the Directors of OBL, in consultation with its Perth based petroleum consultants, and logistics/operations planning advisers in Broome, have today decided to postpone the Backreef-1 cased hole production test.

All stakeholders will be advised accordingly as soon as possible.

The Company however believes that a cheaper production test can very likely be achieved with significant synergies and potential substantial cost savings during early 2Q2012 in accordance with its previously lodged 2011 / 2012 Backreef Area Work Program to the DMP.

The lodged minimum 2011 / 2012 Backreef Area Work Program to the DMP incorporates the following two scenarios:

1. In the case of a successful cased hole production test at Backreef-1, a second well at either the Backreef-2 location (which may be drilled vertically at a short stepout distance circa 100m from Backreef-1, within the same cleared rig lease, for important core data and then possibly deviated and completed as a horizontal Backreef-2H with a slotted liner); or
2. In the case of an unsuccessful cased hole production test at Backreef-1, an exploration well at the East Blina-1 Prospect – situated approximately half way (along the road) between Backreef-1 and the Blina Oil Field Battery some 7km to the west.

Should the first scenario above be successful, OBL plans to rapidly define the extent of the Backreef Oil Play area by a series of slim-hole cores to define the extent of the possible oil within the possible circa 50 sqkm stratigraphic trap – refer to the OBL ASX Release dated 30 August 2011.

If the Backreef-1 cased hole test is unsuccessful, OBL has until 31 October 2012 to drill and complete a second well (eg possibly the East Blina -1 Prospect) within the Backreef Area to earn its 100% farmin title interest to the Backreef Area from Buru Energy.

Notwithstanding the postponement of the test, the DMP stakeholder approvals for the Backreef-1 cased hole production test are very advanced (these approvals last for around 12 months) and should only requiring bridging to an alternative selected rig.

In addition, the Company is very well placed with infrastructure, road to site and nearby water already in place to conduction field testing and drilling operations in 2012 at both Backreef-1 (**including a possible Extended Well Test**) and possibly a **Backreef-2H appraisal** and also drilling the **East Blina-1 Prospect**.

OBL will now advance negotiations to source/contract an alternative locally based rig with drilling capacity of around 1200m and negotiate for its use/deployment at its operations in 2Q2012.

Finally, the Company has for now, due to continuing volatile market conditions, shelved immediate plans to farmout a partial interest in Backreef Area, with the last negotiations with interested third parties being terminated at the end of the first week of October 2011.

Yours faithfully

A handwritten signature in black ink, reading "Neil F. Doyle". The signature is fluid and cursive, with the first name "Neil" and last name "Doyle" clearly legible.

Neil F. Doyle SPE
Director & CEO