

OIL BASINS LIMITED

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

Dear Sirs

OIL BASINS FARMINS FOR 12.5% OF OFFSHORE GIPPSLAND PERMIT VIC/P41

The Directors of Oil Basins Limited ("Oil Basins" or the "Company") are pleased to announce that the Company has reached agreement and signed a formal farmin agreement with Eagle Bay Resources NL (ASX code EBR) on Friday 18 August 2006 in respect of a 7.5% interest in petroleum exploration permit Vic/P41 in Bass Strait, and the Company has subsequently on Monday 21 August 2006 exercised an option with Moby Oil & Gas Limited (ASX code MOG) and signed a further formal farmin agreement in like terms in respect of an additional 5% interest in petroleum exploration permit Vic/P41.

Oil Basins therefore now has formal rights entitling it to earn a total of 12.5% in respect of petroleum exploration permit Vic/P41.

KEY COMMERCIAL ASPECTS OF BOTH FARMIN AGREEMENTS

A. EAGLE BAY RESOURCES FARMIN AGREEMENT

Pursuant to the farmin agreement executed with EBR on 18 August 2006 the Company will, to complete the earn-in of its interest, be required to:

- (1) fund 18.75% of the costs associated with the drilling of the next well in Vic/P41, and
- (2) pay pro rata 7.5% of the Vic/P41 joint venture costs incurred between 3 April 2006 and the date of commitment to drill the next well in Vic/P41.

The farmin well-promote costs (18.75%) due by Oil Basins with respect to the 7.5% interest will be capped at an amount of \$2,437,500. Thereafter, such well costs shall be funded pro rata as to 7.5% by Oil Basins.

B. MOBY OIL & GAS FARMIN AGREEMENT

Pursuant to the farmin agreement executed with MOG on 21 August 2006 the Company will, to complete the earn-in of its interest, be required to:

- (1) fund 12.5% of the costs associated with the drilling of the next well in Vic/P41, and
- (2) pay pro rata 5% of the Vic/P41 joint venture costs incurred between 1 May 2006 and the date of commitment to drill the next well in Vic/P41.

The farmin well-promote costs (12.5%) due by Oil Basins with respect to the 5% interest will be capped at an amount of \$1,650,000. Thereafter, such well costs shall be funded pro rata as to 5% by Oil Basins.

C. SPECIAL COMMERCIAL CONDITIONS APPLICABLE IN BOTH FARMIN AGREEMENTS

As a result of receiving signed consents from all joint venture parties prior to the execution of the EBR farmin agreement and the MOG farmin agreement, Oil Basins is pleased to advise that all pre-emptive rights have now been waived by the Vic/P41 joint venture parties.

Broadly as advised in the recent Oil Basins Prospectus, the Company's farmin agreements with EBR and MOG have the following conditions / undertakings:

- (a) Oil Basin's interest maybe held by a nominee (at the Company's election) being a 100% owned subsidiary (as permitted by the Vic/P41 Joint Venture Operating Agreement "JVOA").
- (b) Oil Basin's respective fully-paid down-payments of \$500,000 to EBR for 7.5% and \$333,333 to MOG for 5% will be non-refundable under all circumstances.
- (c) Both EBR and MOG agree to use best endeavours to procure for Oil Basins or its nominee the relevant interest in the Vic/P41 Joint Venture and to vote accordingly. Oil Basins agrees to nominate to both EBR and MOG within 10 business days of the Vic/P41 Joint Venture being in receipt of a valid preferred farmin offer (in the case of competing offers) by a third party of the Company's intention to either :
 - i) elect to accept the third party offer and then dilute the 7.5% and/or the 5% interest prorata (subject to the JVOA restrictions), or
 - ii) elect to reject such a valid preferred farmin offer and retain the 7.5% and/or the 5% interest, and
 - iii) both EBR and MOG agree to keep Oil Basins informed of potential terms of any/all third party offers once any down-payment has been paid.
- (d) Until such time as Oil Basins actually pays EBR the amount of \$2,437,500 and/or MOG the amount of \$1,650,000 both EBR and/or MOG hold the Vic/P41 JVOA voting rights and the Company merely has status as an observer at Vic/P41 Joint Venture meetings.

RECENT AND KEY ATTRIBUTES OF THE COMPANY

1. The Offer under the Oil Basins Prospectus dated 8 June 2006 raised \$2,528,000 and was underwritten by Patersons Securities Limited.
2. All new Shares and Options have been allotted and holding statements have been issued by the share registry, Computershare Investor Services Pty Limited, for all issuer-sponsored shares and options and CHESS will provide securityholders with holding statements for those holdings on the CHESS sub-registry.
3. The Company has 33,883,774 fully-paid ordinary Shares on issue of which 5,500,000 are escrowed, and 33,469,991 Options on issue of which 22,000,000 are escrowed. This results in only 28,383,774 fully-paid ordinary Shares and 11,469,991 Options being quoted securities listed for trading on the ASX.
4. The Company has received ASX approval to the listing of the new Shares and Options issued by virtue of the Offer, and notification has also been received that the securities of the Company (being the fully-paid ordinary Shares and the 20 cent 30 September 2009 Options) will be reinstated to official quotation on the ASX from the commencement of trading this Wednesday 23 August 2006. These will be under the ASX codes "OBL" for the Shares and "OBLO" for the Options.
5. The key attributes of the Oil Basins exploration portfolio are, following the two EBR and MOG farmins, presently as follows:

GIPPSLAND BASIN

- The potential impact of the two conditional farmin agreements to joint venture participants in offshore Gippsland Permit Vic/P41 in Bass Strait are as follows:

Bass Strait Oil Company Ltd (Operator)	45%
Moby Oil & Gas Limited	30% <u>reducing to</u> 25%
Eagle Bay Resources NL	25% <u>reducing to</u> 17.5%
Oil Basins Limited	Potential to increase from 0% to 12.5%

- Exceptional leverage (on a per share basis) with respect to an initial 12.5% net interest in Vic/P41 (refer to Figure 1) – a highly prospective (medium risk) permit with three defined oil prospects (Kipling, Oscar West and Cotton by modern 2005 - 3D) of combined gross prospective resources potential in excess of 1,947 mmbbls (if wholly oil) or 5,208 bcf (if wholly gas) – with discoveries nearby (Basker, Manta, Kipper and Sole) and ontrend to the soon to be commissioned **Basker-Manta FPSO Oil & Gas Hub** (with potential - future nearby tie-backs).

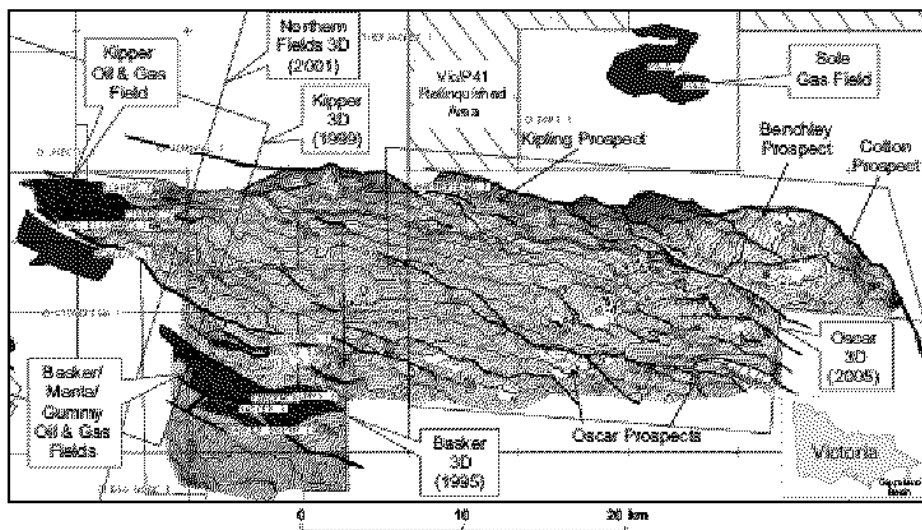


Figure 1 – Prospective Fields in Vic/P41

(Source: Permit Operator Bass Strait Oil Company Limited – ASX code BAS)

- In summary the status of the Oil Basins farmins to Vic/P41 are broadly as follows:

Date	Event
3 April 2006	Company entered into a Head of Agreement with EBR leading to terms for a conditional farmin agreement for 7.5% of Vic/P41 from EBR.
11 May 2006	Company granted an Option by MOG leading to a conditional farmin agreement (on similar terms with EBR) for a further 5% of Vic/P41 from MOG.
8 June 2006	Company raised seed capital and paid EBR \$50,000 non refundable deposit.
20 July 2006	Company successfully raised \$2.528 million by way of a prospectus.
16 August 2006	Company reached agreement for extension of the earlier Option Agreement with MOG – providing the farmin agreement is executed and non-refundable payment of \$333,333 to MOG is completed by 21 August 2006.
18 August 2006	Company executed a conditional farmin agreement for 7.5% of Vic/P41 with EBR.
21 August 2006	Company executed a conditional farmin agreement for 5% of Vic/P41 with MOG. Company made final non-refundable payment of \$450,000 to EBR and non-refundable payment of \$333,333 to EBR.
Current status	According to the Vic/P41 Operator BAS in its quarterly report dated 27 July 2006, the Operator is seeking third party interests to farmin to the permit.

CANNING BASIN

- On 29 May 2006, the Company entered into a conditional farmin agreement with unlisted Backreef Oil Ltd and Toronto listed Operator Golden Dynasty Resources Ltd to farmin into the **Blina Backreef Play Joint Venture Area** (Figures 2 & 3). The participants of which are as follows:

Terratek Oil Tools Pty Ltd* (Operator)	30%
Backreef Oil Ltd	20%
Private interests (total)	15%
Oil Basins Limited	35%

* 80% owned by Golden Dynasty Resources Ltd and 20% owned by European Gas Limited (ASX code EPG)

- Very high leverage (on a per share basis) in the Canning Basin at modest net cost of estimated \$1.05 million to potentially a high reward “totally new stratigraphic play type “ (ie not a Devonian Reef target) refer to Figure 4. The Company has a 35% net interest in potentially a 270 mmbbl oil target Backreef Play prospect – net upside circa 94 mmbbls (importantly - nearby under-utilised existing infrastructure and within an existing production licence L6 – recently renewed on 19 May 2006 for 21 years and strategically in close proximity to the **Blina Oil Hub**).

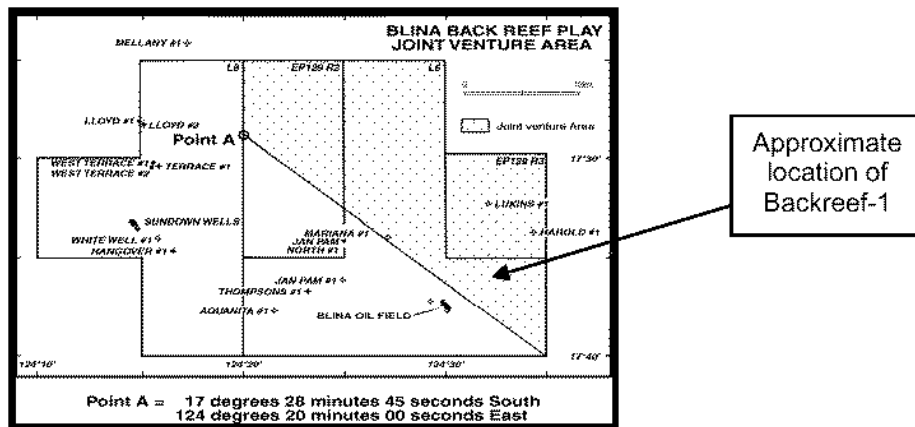


Figure 2 – Canning Basin Backreef Play Joint Venture Area Permit Location
(Source: Oil Basins Limited Prospectus)

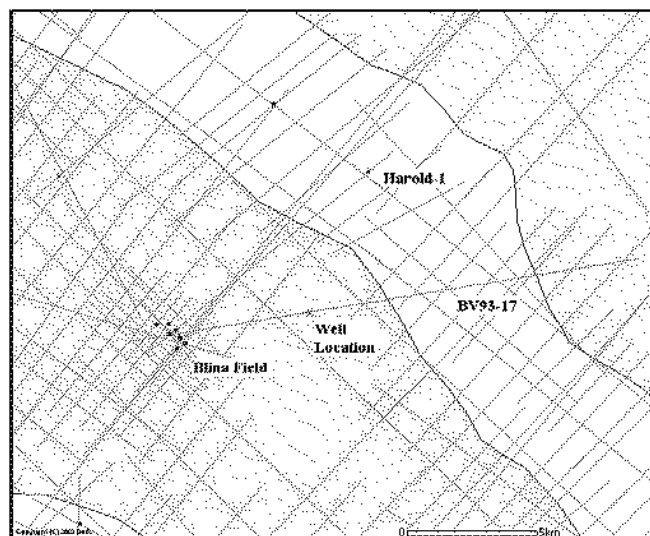
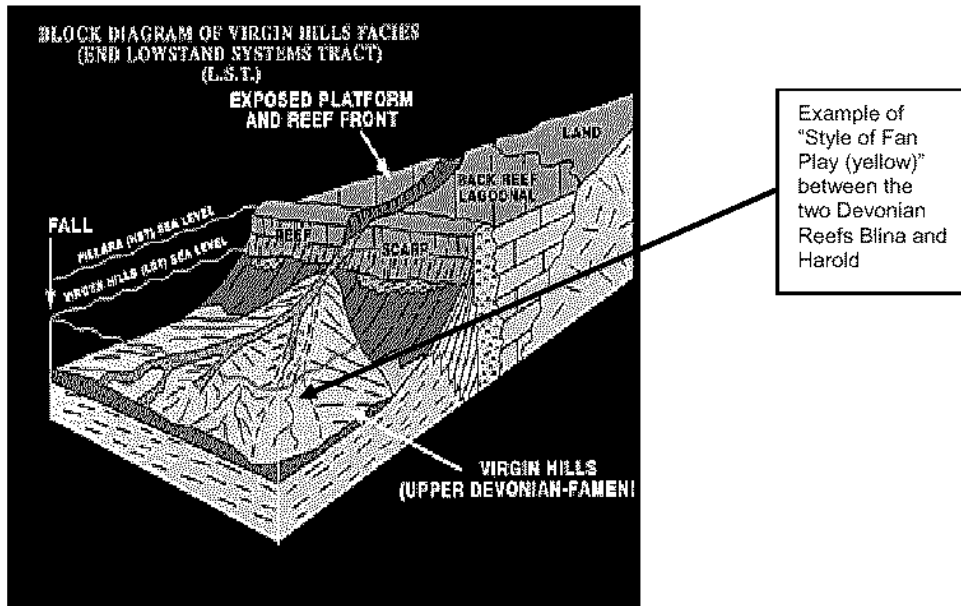


Figure 3 – Prognosed Location of Backreef-1 Well on Seismic Line BV93-17

(Source: Oil Basins Limited Prospectus)



**Figure 4 – Prognosed Stratigraphic Lowstand Reef Fan Play
(for illustrative purposes only)**

(Source: Independent Expert Geologist Report – Oil Basins Limited Prospectus)

- In summary the status of the Oil Basins farmin to the Blina Backreef Play Joint Venture Area is broadly as follows:

Date	Event
7 April 2006	Company entered into a heads of agreement with Backreef Oil Ltd leading to terms for a conditional farmin agreement for 35% of Blina Backreef Play Joint Venture Area from Backreef Oil Ltd.
29 May 2006	Company entered into a conditional farmin agreement with unlisted Backreef Oil Ltd and Toronto listed Golden Dynasty Resources Ltd to farmin into the Blina Backreef Play Joint Venture Area.
8 June 2006	Company raised seed capital and paid Backreef Oil Ltd a \$35,000 non refundable deposit.
20 July 2006	Company successfully raised \$2.528 million by way of a prospectus.
Current status	The Operator has been seeking to procure a drilling rig for the drilling of Backreef-1, in the event that this cannot be finalised ahead of the onset of the rainy season, the drilling of Backreef-1 will be deferred until April 2007. The Company will advise shareholders in due course.

6. Following the two executed EBR and MOG farmins, Oil Basins present net prospective resources are estimated as follows:

PROSPECT	OPERATOR PRELIMINARY ESTIMATES			NET SHARE	OIL BASINS SHARE		
	<u>Gross Prospective Resources</u>				<u>Net Prospective Resources</u>		
	Recoverable Oil *		Recoverable Gas *		Recoverable Oil *		Recoverable Gas *
	MMbbbs		Bcf		MMbbbs		Bcf
<u>GIPPSLAND</u>							
<u>VIC/P41</u>							
KIPLING ** (single "mega-closure" case Vic/P41 only)	1,690	<u>OR</u>	4,320	12.5	211.3	<u>OR</u>	540.0
OSCAR WEST	115	<u>OR</u>	494	12.5	14.4	<u>OR</u>	61.8
COTTON	142	<u>OR</u>	394	12.5	17.8	<u>OR</u>	49.3
<u>Sub-Totals</u>	<u>1,947</u>		<u>5,208</u>		<u>243.4</u>		<u>651.0</u>
<u>CANNING</u>							
<u>BACK REEF PLAY JV</u>							
BACKREEF	270		0	35	94.5		0.0
<u>TOTALS</u>	<u>2,217</u>	<u>OR</u>	<u>5,208</u>		<u>337.9</u>	<u>OR</u>	<u>651.0</u>

Table 1

Oil Basins Exploration Portfolio based upon a presumptive 12.5% net share of Offshore Gippsland Permit Vic/P41 & 35% interest in the Blina Backreef Play Joint Venture Area
(Source: Oil Basins Limited Prospectus)

* Specific Notes relating to Table 1:

- According to Operator, Bass Strait Oil Company Limited, (ASX code BAS) Kipling "mega-closure" as depicted in Figure 1, is likely to be segmented into 2 to 3 smaller subordinate traps.
- Preliminary deterministic estimates of undiscovered prospective resource for oil only, or gas only cases. Source: BAS ASX Announcement 5 May 2005.
- Table represents a preliminary view of upside potential of Gippsland Permit Vic/P41 and Canning Basin Blina Backreef Play Joint Venture Area.
- All investors should note carefully the Chairman's Letter, Key Investment Features Section and the Risk Section of the Oil Basins Limited Supplementary Prospectus dated 15 June 2006 and that an equally valid outcome of each of the prospects is that no oil or gas will be discovered.

Yours faithfully



Kim McGrath
Chairman