

OIL BASINS LIMITED
ABN 56 006 024 764

Annual Financial Report
for the Financial Year ended 30 June 2009

OIL BASINS LIMITED
ABN 56 006 024 764

CORPORATE DIRECTORY

Board of Directors

Kim W McGrath (Chairman and Non-Executive Director)
Neil F Doyle (Non-Executive Director)
Nigel H Harvey (Non-Executive Director)

Company Secretary

Melanie J Leydin

Registered Office

Suite 304, 22 St Kilda Road
ST KILDA VIC 3182
Ph: (03) 9692 7222
Web: www.oilbasins.com.au

Place of Business

Suite 304, 22 St Kilda Road
ST KILDA VIC 3182

Auditor

Deloitte Touche Tohmatsu
Chartered Accountants
550 Bourke Street
MELBOURNE VIC 3000

Share Registry

Computershare Investor Services Pty Ltd
452 Johnson Street
ABBOTSFORD VIC 3067
Telephone: (03) 9692 7222

Stock Exchange Listing

Home Exchange is Melbourne
ASX Code Shares: OBL
ASX Code Options: OBLO
ASX Code Options: OBLOA

CONTENTS

	Page
Corporate Directory	2
Review of Operations	3
Directors' Report	24
Independence Declaration.....	32
Independent Audit Report.....	33
Director's Declaration	35
Income Statement	36
Balance Sheet.....	37
Statement of Changes in Equity	38
Cash Flow Statement	39
Notes to the Financial Statements	40
Additional Shareholder information	68
Corporate Governance Statement.....	71

REVIEW OF OPERATIONS

1. COMPANY'S EXPLORATION INTERESTS:

Oil Basins Limited (“OBL” or the “Company”) presently holds rights to interests in three (3) offshore and three (3) onshore petroleum exploration permits in Australia (**Figure 1**), as follows:

- 12.5% Rights to Vic/P41 situated in offshore Gippsland Basin,
- 17% Vic/P66 situated in offshore Gippsland Basin,
- 80% Beneficial Rights to Backreef Area, onshore Canning Basin,
- 20% Rights DR9 situated in onshore Canning Basin,
- 50% interest in EP5/07-8 situated in onshore Canning Basin, and
- 25% Retention Lease R3 situated in offshore Carnarvon Basin.

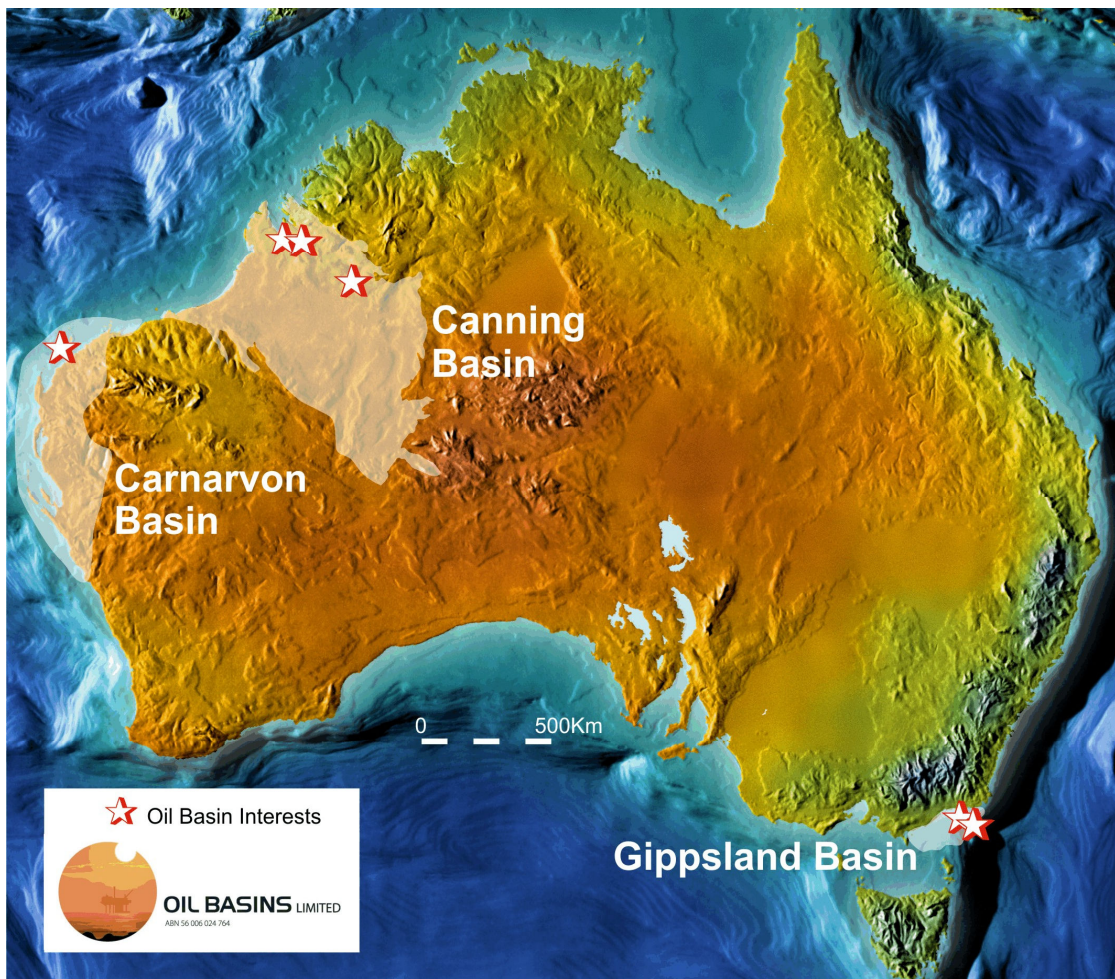


Figure 1
Oil Basins Exploration Interests

2. COMPANY'S KEY ATTRIBUTES & HIGHLIGHTS FOR 2009:

- The Company is involved in exploration for oil and gas in the offshore Gippsland Basin waters of south-eastern Australia, the onshore Canning Basin of Western Australia and more recently the offshore waters of Carnarvon Basin, all situated in good hydrocarbon addresses and nearby to existing infrastructure hubs.
- **The Company's net portfolio position of 2P prospective potential resources has, during 2009 now attained a significant leverage position of 330 MMBOE6 prospective potential resources.**
- The Company's exploration portfolio includes a range of high, medium and low risk exploration and development projects:
 - 12.5% Rights to offshore Vic/P41 is situated offshore Gippsland Basin nearby to Exxon's operated Kipper gasfield development, Santos' undeveloped Sole gasfield and Roc Oil's operated Basker-Manta- Gammy (**BMG**) FPSO development;
 - The permit (Permit contains 6 drill ready prospects all defined by modern 3D shot in 2006 and processed in 2007 and partially funded by OBL's initial public offering prospectus. Subsequent to the 3D seismic reprocessing and assessment, OBL presently retains net rights to circa 94.3 MMBOE6 prospective potential P50 resources. The permit has a significant gross in-place gas potential circa 3.1 TCF (**Table 1**) and Company is seeking interest in a partial sale of its rights in Vic/P41;
 - 17% interest in Vic/P66, rank exploration permit in offshore Gippsland Basin, contiguous to Vic/P41.
 - During the reporting year, the Company was a member of a successful bidding consortium and awarded a direct interest by the Designated Authority in December 2008;
 - 80% beneficial interest in the Backreef Area, Canning Basin including the Backreef-1 Prospect with net 216 MMbbls prospective potential median resources.
 - During the reporting year the Company was successful in its legal dispute with Arc Energy Limited and effectively went from 0% to 100% upon settlement, prior to assigning 20% back to its long-term Canning Basin partner Backreef Oil Limited.
 - The Company commissioned an independent geologist expert report on the hydrocarbon potential of both the Backreef Area and Drilling Reservation 9.
 - The Backreef Prospect remains drill ready and the Company is seeking farmin partners / or structured equivalent funding to enable drilling to occur during 2009 (subject to rig availability);
 - 20% Rights to Drilling Reservation 9, Canning Basin including the Emika-1 Prospect with net 19.2 MMbbls prospective potential resources. The Emika Prospect remains drill ready. OBL is seeking farmin partners / or structured equivalent funding to enable drilling to occur during 2009 (subject to rig availability);
 - 50% interest in Permit 5/07-8 EP, Canning Basin – a potentially highly attractive block if the Backreef Prospect well proves successful. The Company was a member of a successful bidding consortium and awarded a direct interest by the Department of Mines and Petroleum in December 2007 – subject to finalisation of native title claims. The Operator advises that negotiations are ongoing;
 - 25% interest in Retention Lease R3 (Cyrano), Carnarvon Basin, where the Cyrano oilfield discovery has already has two existing penetrations with an assessed net 1.0 MMbbls estimated recoverable contingent resources and an unassessed gas cap. The Company successfully acquired this asset in September 2008 for \$66,000 plus 833,333 OBL shares issued at 11 cents per share – effectively 16 cents per barrel; and
 - The Company successfully raised a gross amount of \$645,757 of working capital by way of Placement and Rights Issue to fund its continuing business and work program activities.

3. COMPANY'S PROJECTS

(A) GIPPSLAND BASIN

The Company has interests in two offshore Permits:

- Rights to 12.5% Vic/P41 (effectively via a Drilling Option executed in 2006), and
- 17% Vic/P66.

Gippsland Basin Location Map

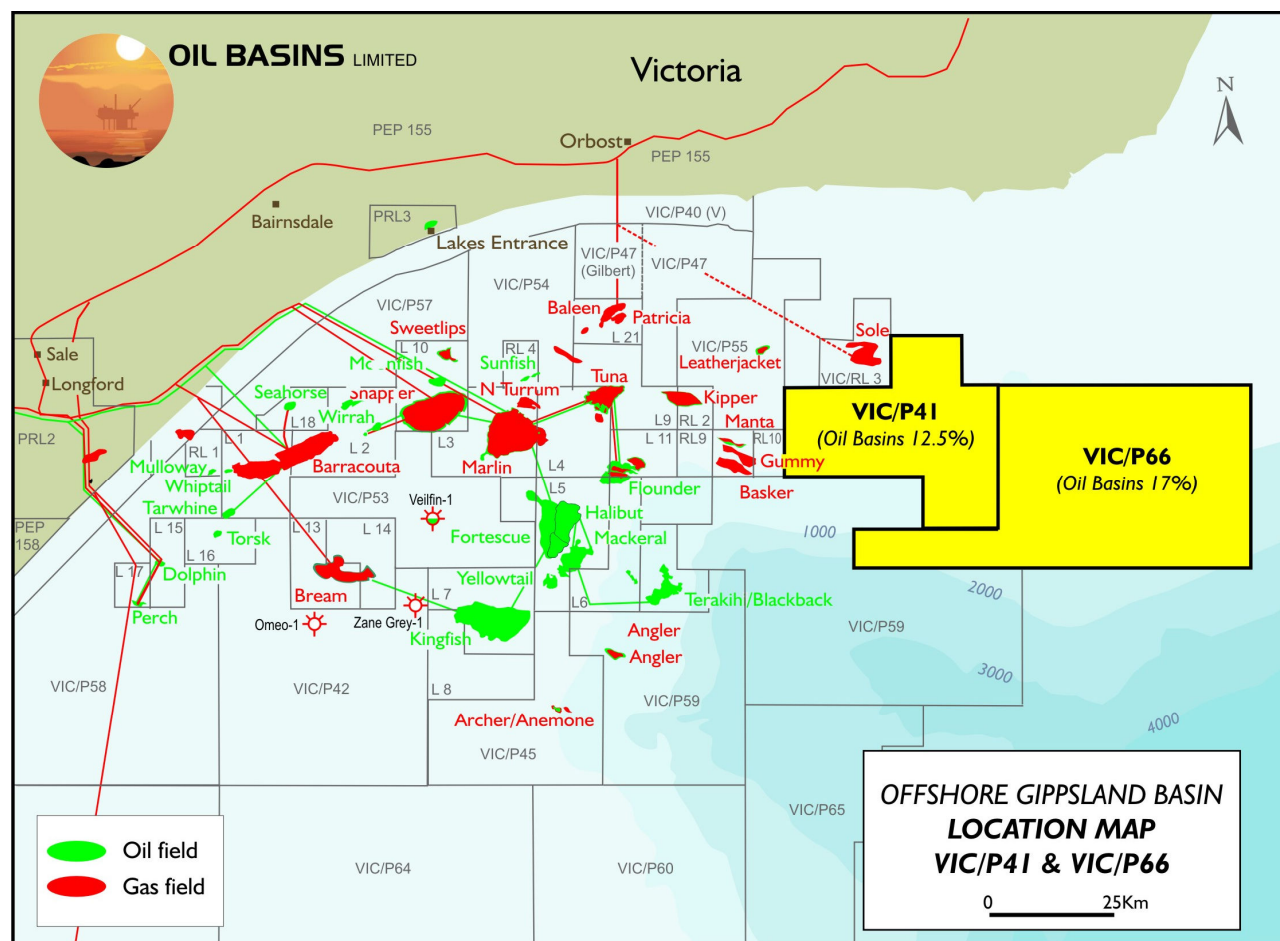


Figure 2

Location of OBL's Permit interests in Vic/P41 & Vic/P66 Offshore Gippsland Basin

Permit Vic/P41

Ownership (OBL - Rights to 12.5%)

The Vic/P41 Joint Venture consists of:

Bass Strait Oil Company Ltd (ASX code: BAS)	45% and Operator
Moby Oil & Gas Limited (ASX code: MOG)	30% (reducing to 25% - subject to farmin by OBL)
Strategic Energy Resources Limited (ASX code: SER)	25% (reducing to 17.5% - subject to farmin by OBL)
Oil Basins Limited, or nominee (ASX code: OBL)	12.5% (subject to farmouts by MOG and SER)
Over-riding Royalties	Nil

Update

Permit Vic/P41 is located in the offshore Gippsland Basin, approximately 40 km south of the eastern Victorian coast (see location map **Figure 2**).

The 2008 2D survey recorded a total of 295 km of new seismic data in the east of the permit and has fulfilled the Year 3 work program commitment, which called for a 250 km 2D seismic survey to be acquired by September 2009.

During mid-2008, the Joint Venture accelerated the completion of the 2D seismic commitment (Figure 3) in order to define better the eastern area of the permit, where several leads were delineated only on sparse vintage seismic data. Interpretation and mapping of the 2008 2D seismic data and re-processed older data has confirmed the potential of the eastern area of the Vic/P41 permit. The Lead A, Junger and Wilde features all demonstrate structural closure based on the updated mapping. Lead A also exhibits anomalous amplitude responses that may be indicative of hydrocarbons. These warrant further investigation as preliminary work has assessed circa 130 MMbbls mapped potential prospective recoverable resources. In addition Lead A may straddle east into the contiguous Permit Vic/P66 (OBL net 17%).

The 2D seismic interpretation project also integrated updated mapping of the Oscar prospects which highlighted the potential of the Oscar East prospect. Oscar East is defined on 3D seismic and is on trend with, and analogous to, the producing Basker/Manta/Gammy (**BMG**) fields which are outside and to the west of the Vic/P41 permit. BMG commenced oil production in December 2006. Modern 3D seismic data also defines several large prospects along the Rosedale Fault trend in the north of the permit. These prospects are interpreted as analogous to the Kipper oil and gas field which lies on-trend and also outside and to the west of Vic/P41. Development plans for Kipper have been announced, targeting first production for 2011.

Permit Vic/P41 Potential Prospective Resources

3D Defined Drill-Ready Prospect Defined by AVO	Comments / Target Reservoir	POS (AVO defined)	Gross Stochastic Undiscovered Petroleum (In-Place) Mean Static Volume	Stochastic Prospective Resources (Recoverable)					
				P90		P50		P10	
				OIL MMbbls	GAS Bcf	OIL MMbbls	GAS Bcf	OIL MMbbls	GAS Bcf
Kipling	Within Vic/P41 only	Gas 22% Oil 15%	338 946	66	388	124	620	205	944
Benchley	Golden Beach sst	Gas 17% Oil 13%	397 2,046	76	863	145	1,366	245	1,992
Benchley	Halibut Sub-group sst	Gas 24% Oil 16%	88 111	13	58	39	75	74	95
Cotton	Golden Beach sst	Oil / Gas 4%	160 2	38	-	60	1	87	4
Cotton	Halibut Sub-group sst	Oil 16%	31 -	9	-	13	-	19	-
Oscar West	Intra-Latrobe sst	Oil / Gas 25%	72 21	-	-	19	12	41	30
Oscar East	Intra-Latrobe sst	Oil / Gas 19%	75 32	-	-	19	18	42	45
Totals			1,161 3,158	202	1,309	419	2,092	713	3,110

Table 1
Gippsland Permit Vic/P41 - Oscar 3D Seismic Defined Gross Prospective Potential Resources
(source BAS)

Based upon the Vic/P41 Joint Venture's 2005 Oscar 3D seismic survey, Vic/P41 has mapped gross original Oil in Place of approximately 1.2 billion barrels of oil and 3.2 Tcf Gas in Place (**Table 1**).

Should the Company complete its Drilling Option and exploration is successful, OBL's rights to net 12.5% share of potential prospective P50 resources, subject to completion of the Farmins, remains net 94.3 MMBoe.

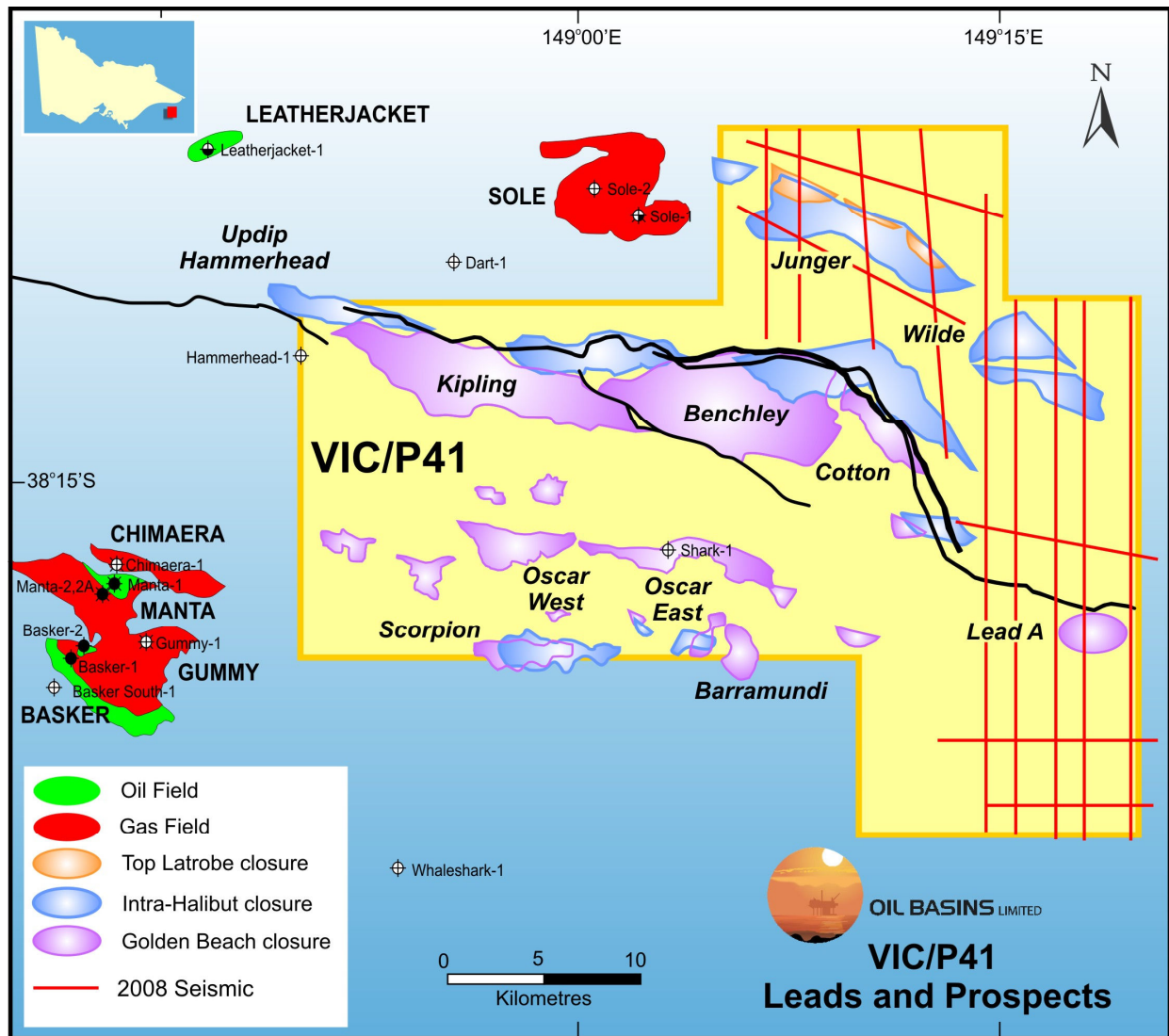


Figure 3
Permit Vic/P41 illustrating recent additional 295 line km of 2D seismic shot during June 2008 and proximity to ROC Oil's Operated Basker-Manta-Gammy Development

Status

The 3D-defined prospects in Vic/P41 are ready to be tested based upon the Oscar 3D survey – partially funded by OBL, the Operator BAS has delineated 6 drill ready prospects within the permit with gross 3P mapped P10 potential of 713 MMbbls oil and 3.2 TCF gas (**Table 1**) – potential prospective recoverable resources – refer to the BAS ASX Release dated 1 May 2007 and **Figure 3**. The timing of any potential drilling is dependent on the availability of a semi-submersible drilling rig slot in the Gippsland Basin, with current scheduling indicating potential availability in late 2009 and on the progress of farmout negotiations.

The Vic/P41 Permit is presently well over 6 months ahead of its work program obligations. In the interim, the Operator has applied for a swap of current Year 4 to Year 5 commitments which if successful will see the obligation well deferred until September 2011. If successful OBL's work program obligation throughout the remainder of the revised Year 4 work program during 2009/10 is estimated at a modest \$30,000.

As previously advised in the recent Rights Issue prospectus, it is the Company's firm intention to farmout Vic/P41. During the recent June quarter, the Company has held and presently continues to hold confidential discussions with third parties with respect to a strategic farmin into a portion of OBL's rights to Vic/P41.

Should any of these discussions lead to a successful farmout or partial divestment of the Company's rights, OBL will immediately announce to the ASX.

Vic/P66

Location – Bass Strait (refer to **Figure 2**)

Ownership (OBL – 17%)

The Vic/P66 Joint Venture consists of:

Bass Strait Oil Company Ltd (ASX code: BAS)	60% and Operator
Strategic Energy Resources Limited (ASX code: SER)	23%
Oil Basins Limited, (ASX code: OBL)	17%
Over-riding Royalties	Nil

The Vic/P66 permit covers 2,160 square kilometres from approximately 50 kilometres offshore in the eastern Gippsland Basin. It spans water depths from 200 metres to over 2,000 metres. The eastern area of the Gippsland containing Vic/P66 has never been systematically explored with modern techniques indeed only to very old 2D vintage lines have been shot across the permit. Distance from established fields and infrastructure and increasing water depths are two factors that likely limited earlier exploration.

The Vic/P66 permit complements and extends the Company's strategic exploration focus in the south eastern region of the Gippsland Basin. The Company has 12.5% rights to farmin on the contiguous Vic/P41, where similar geological concepts are being pursued. Vintage data collection continues by the Operator and the finalisation of the Joint Venture Operating Agreement remains pending.

The Company's net share of the work program obligations the remainder of 2009 is considered modest at up to \$35,000.

(B) CANNING BASIN

The Company has interests in three onshore Areas/Permits, which are all situated close to known oil to significantly reduce oil migration risk and all prospects specifically target sandstone reservoirs at less than 2,000m depth, so as to mitigate the well established reservoir risk associated with unsuccessful exploration todate with the regional Devonian aged limestone reservoirs:

- Beneficial Rights to 80% Backreef Area – Backreef Prospect is circa 4.5km away from the Blina Oilfield,
- Rights to 20% Drilling Reservation 9 – 20km to the south of the Cycas Oil Show, and
- 50% Permit 5/07-8EP – close proximity to Blina and adjacent to Kora oilfields

Canning Basin Location Map

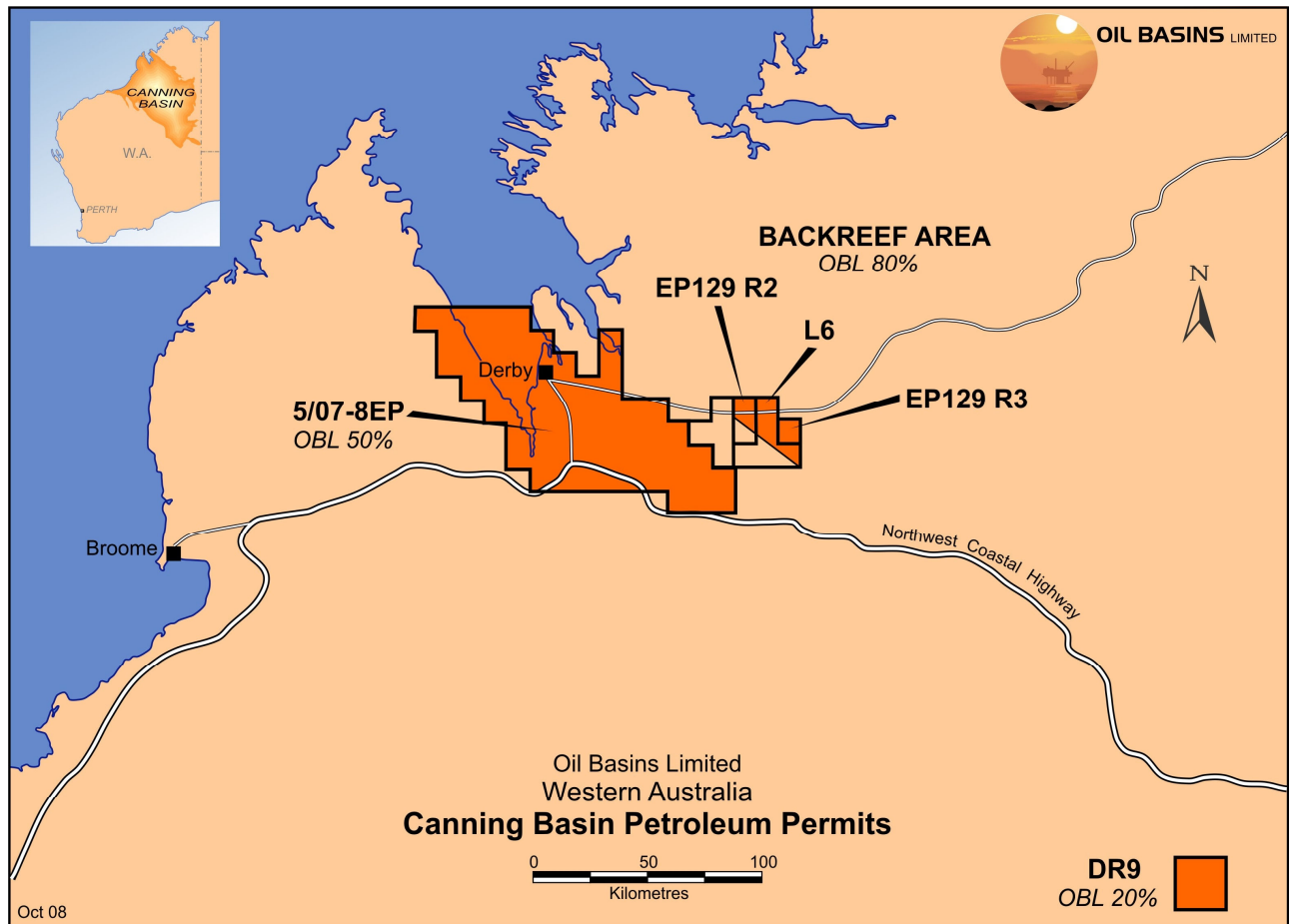


Figure 4

Oil Basins Limited's Canning Basin interests (*post-successful Settlement of ARC Energy Dispute*)

Backreef Area

Ownership (OBL - Beneficial Rights to 80%)

Following the completion of the Backreef-1 well, the ownership interests in Backreef Area (**Figures 4 and 5**) will be as follows:

Backreef Oil Limited ("Backreef") Notes 1 & 2	20% (Operator)
Oil Basins Limited (ASX code OBL) (or Nominee) Notes 1 & 2	50% (subject to BRU 30% back-in rights)
OBL Backreef No.5 Pty Ltd Notes 1 & 2	5%
OBL Backreef No.10 Pty Ltd Notes 1 & 2	10%
OBL Backreef No.15 Pty Ltd Notes 1 & 2	15%
Titleholder Note 3	Nil% (holds back-in rights 30% from OBL)

Note 1 Golden Dynasty Resources Ltd owns a 2% ORRI payable by Backreef Area Joint Venture Partners (JVPs)

Note 2 European Gas Limited (ASX code EPG) owns a 3% ORRI payable by Backreef Area JVP's and Budside Pty Ltd owns a 1% ORRI over EP129, but excluding L6 & L8 – these royalties are payable by Backreef Area JVP's.

Note 3 EP129 and L6 Titleholder is Buru Energy Limited (ASX code BRU).

Location

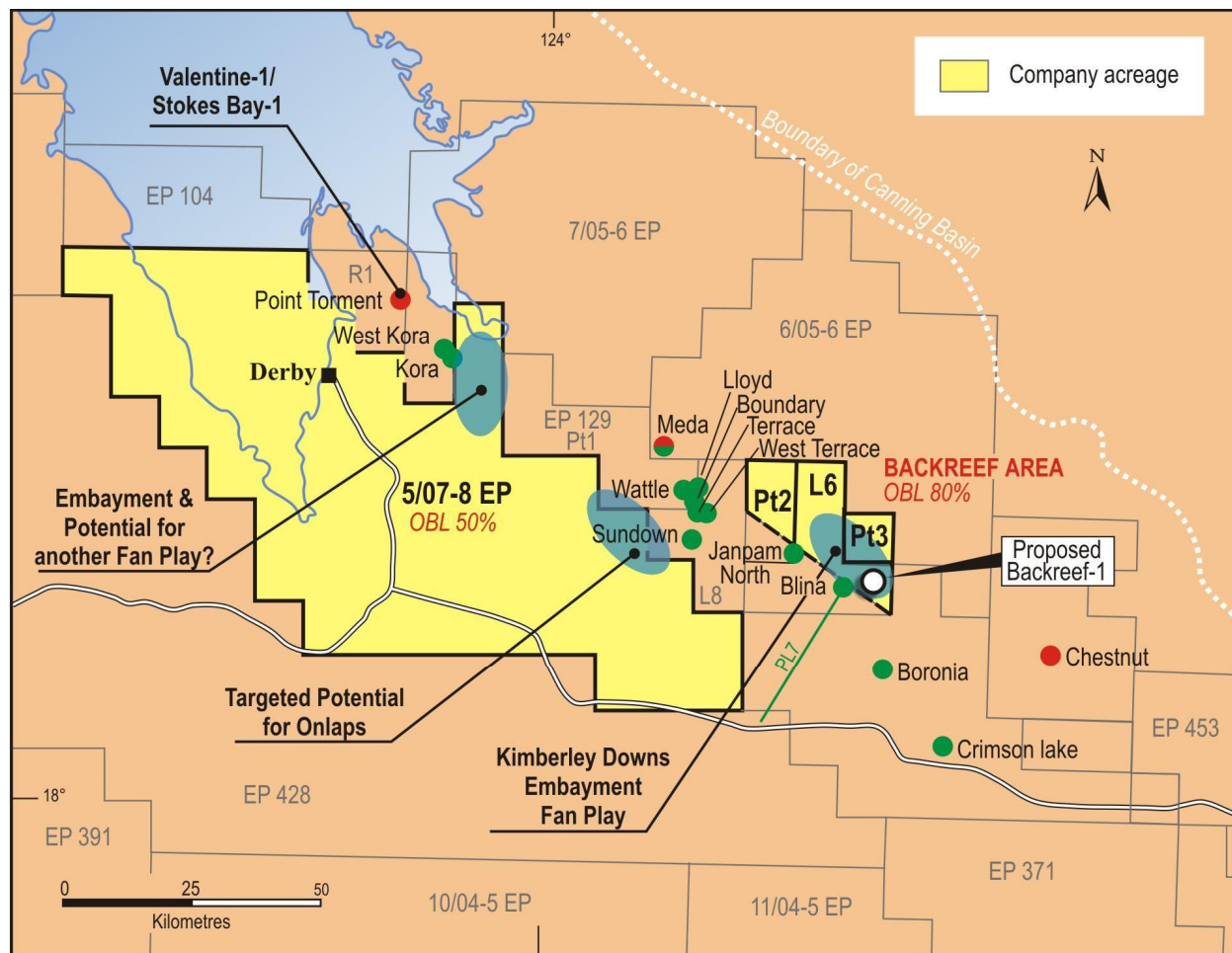


Figure 5

Oil Basins Limited's Fitzroy Trough, Canning Basin interests – post Arc Energy Limited Settlement highlighting the Backreef Area and its proximity to discovered oilfields and hydrocarbon shows & similar plays likely to occur in its 50% interest in Permit 5/07-8EP

“New Reservoir Play” delineated by Oil Basins Limited

On 7 May 2008, OBL advised the ASX that its expert team of consultants (the former ExxonMobil regional geological and geophysical team) had completed their pioneering assessment of the Kimberley Downs Embayment feature located within the Blina Back Reef Play Joint Venture Area (Figure 3). We applied, what we believe is a first in the Canning Basin, the application of the very latest 3D exploration techniques PSTM, PSDM and seismic processing and inversion techniques. This new work has delineated a ‘new reservoir play’ entirely situated within the Kimberley Downs Embayment.

This ‘new reservoir play’ type is in the Clanmeyer Formation and is interpreted to be an interbedded sand reservoir that has not been tested previously in the Canning Basin. In addition, our expert team has prognosed the existence of a normal fault associated with a zone of seismic disruption in the Clanmeyer which could be interpreted as a gas chimney, and interpreted as a direct hydrocarbon indicator. The fault is prognosed to have subsequently undergone a degree of inversion and underlies the Backreef Prospect, cutting upwards through the known source rocks of the deeper Gogo Formation (which itself underlies the Virgin Hills Formation) into the ‘new reservoir play’ situated within the Clanmeyer Formation. The potential interbedded sand reservoir (trapped within an ancient marine channel) is prognosed by OBL to be possibly filled with either oil or wet gas according to the interpretation of the evident package of seismic (i.e. acoustic impedance) reflectors. The ‘new reservoir play’ has an evident ‘low velocity seismic signature’ with acoustic impedance characteristics similar to that exhibited by the known 257m thick ‘open ended’ zone of wet gas discovered (but undeveloped) within the Virgin Hills Formation sand reservoir

situated immediately beneath the impervious Blina Limestone Reef (as evident in the Well Completion Report of the deep Blina-1 discovery well in 1981 which was drilled through the Blina Reef to 2,498mTD) – refer to OBL ASX Investor Presentation dated 23 May 2008.

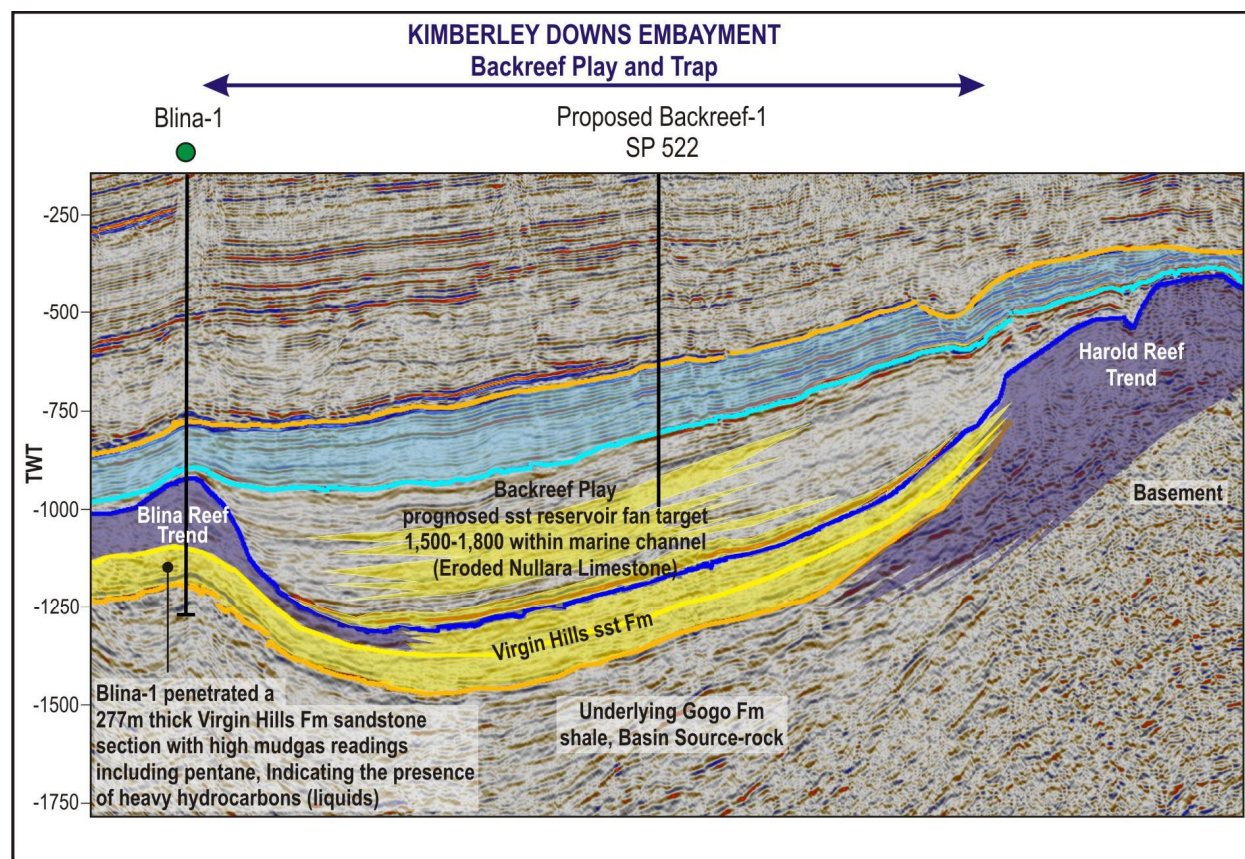


Figure 6
Backreef Prospect (an attractive "New Reservoir Play" undrilled in the Canning)

Legal Action

Legal action was brought by the Company against Arc Energy Limited and commenced on 1 August 2008 to do with alleged significant breaches of the Company's **Confidentiality and Non-circumvention Agreement** entered into by Arc Energy Limited in November 2007. Settlement of the Arc Energy Dispute occurred on 31 October 2008, resulted in an emphatic win for OBL which became reinstated from 0% to 100%. Immediately upon award OBL agreed to formally reinstate its original JVP Backreef Oil Limited both as to a 20% interest and Operatorship, but retains the right to become Operator at its sole election.

The action, details of which were released to the market on 1 August 2008, was settled on mutually acceptable terms with the directors reporting during the December Quarter 2008 that:

- OBL had satisfactorily settled all its legal actions against ARC Energy Limited with respect to its interests in the Backreef Area (*formerly known as the Blina Back Reef Play JV Area*).
- OBL had attained a 80% beneficial interest in the Backreef Area containing the attractive Backreef Prospect.

Settlement of the Arc Energy Legal Dispute occurred on 31 October 2008, and the ASX announcement in relation thereto is repeated in full below.

"On 31 October 2008 the Company announced that it and Backreef Oil Limited (Backreef) have executed a Deed of Covenant in respect of the transfer of ARC Energy Limited's interests in the Canning Basin permits L6 and EP129 to Titleholder Buru Energy Limited (BRU)."

BRU, OBL and Backreef have subsequently entered into a new agreement (Backreef Agreement) to govern the parties' rights and obligations in respect of the Backreef Area, (which consists of part of production licence L6 and permit EP129).

The Backreef Agreement replaces all existing arrangements between the parties in respect of the Backreef Area.

The key terms of the Backreef Agreement are:

- *OBL and Backreef will together earn a 100% beneficial interest in the Backreef Area if they drill the Backreef 1 well by 31 October 2010 (to be wholly funded by OBL).*
- *OBL will hold 80% and Backreef will hold 20% of the Backreef Area.*
- *OBL or Backreef will operate the Backreef Area (in so far as this satisfies DoIR requirements) and will be responsible for all approvals and operational matters, including the drilling of the Backreef 1 well and dealing with DoIR. OBL and Backreef will fully indemnify BRU against OBL's or Backreef's performance as operator.*
- *If the Backreef 1 well is a discovery, OBL and Backreef will together earn a 100% interest in a separate production licence that will cover that part of the Backreef Area that contains the discovery, subject to regulatory approval of the licence. Subject to the approval of the Department of Industry and Resources, OBL will hold 80% and Backreef will hold 20% of the production licence.*
- *If the Backreef 1 well is drilled but is not a discovery, then OBL and Backreef will still earn a 100% beneficial interest in the Backreef Area in the proportions set out above. OBL and Backreef will hold their interest in the Backreef Area subject to the drilling of an additional well in the Backreef Area by 31 October 2012 or until L6 and EP129 are relinquished by BRU. However, if BRU intends to relinquish either of L6 or EP129 then BRU must give Backreef and OBL 60 days notice of first refusal over the relinquishment. While OBL and Backreef hold their interest in the Backreef Area they may drill additional wells in the Backreef Area after the Backreef 1 well. To the extent any one of these additional wells is a discovery then OBL and Backreef will earn 100% of the resulting production licence.*
- *If the Backreef 1 well is not drilled by 31 October 2010 the Backreef Agreement will terminate and OBL and Backreef will lose their right to earn any interest in the Backreef Area.*
- *BRU has a right to earn a 30% interest in the Backreef Area by paying 90% of the costs of the Backreef 1 well, within 90 days of the drilling of the Backreef 1 well, in which case BRU will hold 30% of the production licence."*

OBL also advised on 31 October 2008 that all litigation commenced by OBL against ARC Energy in the Supreme Court of Western Australia had been withdrawn and the relevant parties have entered into a Deed of Release in respect of that litigation. None of the parties have admitted any liability in respect of the litigation and each party will bear their own costs.

Post-Settlement of the Arc Energy Legal Dispute, the Company has:

- Effectively moved from the original 35% conditional farmin interest in the Backreef Area as previously reported to ASX and disclosed in OBL's prospectus dated 15 June 2006 to a significant 80% beneficial interest in the Backreef Area granted to OBL by funding 100% of Backreef-1 well (subject to 30% backin by BRU),
- Effectively reset the drilling clock for Backreef Prospect for two years, to OBL's significant overall benefit,

- The right but not the obligation to complete this well on agreed terms by 31 October 2010, and
- The Company's dealings and transfers over the Backreef Area have been successfully registered by the WA Department of Mines and Petroleum (**DMP**) by the end of January 2009,

Notwithstanding that there are presently no obligations to drill Backreef-1 during 2009, The Company seeks to create shareholder wealth by way of contracting the drilling the Backreef Prospect as soon as practicable during 2009/10 and intends to fund this well either by way of farmout of a partial interest in the Backreef Area or a structured "equivalent" funding mechanism.

Forward Plan

Whilst there is presently no obligation by OBL to drill Backreef-1 during 2009 nonetheless as stated in the recent Rights Issue. The Company intends to:

- take all necessary steps to assess the viability of drilling Backreef-1 during 2009 including rig availability, and
- seek an immediate farmout Backreef (or structured equivalent) to fund Backreef-1.

Update

- The Company is pleased to advise that it has, through the efforts of Operator BOL, sourced a suitable rig and is presently obtaining further information and engineering assessments prior to assessing the viability of using the same during 2009 and prior to seeking the necessary stakeholder approvals.
- The Company presently continues to hold confidential discussions with Third Parties with respect to a farmin into a portion of OBL's rights to Backreef-1 or via a straightforward partial divestment of OBL's Group interests.
- Should any of these discussions lead to a farmout / divestment on acceptable terms, OBL will make an immediate announcement to the ASX.
- In addition, the Company successfully applied to the Australian Securities and Investment Commission (**ASIC**) to change of status of its presently wholly owned private company subsidiary OBL Backreef No.15 Pty Ltd to that of a public company. In addition it has also renamed this entity as **Canning Basin Oil Limited** (formal notification advice to Backreef Area stakeholders is pending and will take place during the present quarter).

Independent Geological Assessment of Hydrocarbon Potential of the Backreef Area

To assist this farmout strategy and near-term drilling objective, the Company commissioned an Independent Expert Geologist Report by Mr Roger Meaney on the hydrocarbon potential of the Backreef Prospect wholly contained within the Backreef Area which consists of Exploration Permit (EP) 129, Remainder Part 2 (R2) (part thereof) & R3 (all) and Production Licence (L) 6 (part thereof) and of the Emika Prospect in Drilling Reservation (DR) 9 onshore Canning Basin, Western Australia. See OBL's comprehensive ASX Release made the 18 February 2009.

The area hosting the Backreef Prospect, the Backreef Area, is situated some 100 kilometres east of Derby and the prospect is located approximately 4.5 kilometres northeast of the producing Blina Oil Field. Seismic data over this area was acquired by Home Oil in the early 1980's and subsequently by another Canadian explorer, Bow Valley Energy, in the early 1990's. Two key seismic lines from the area were reprocessed, interpreted and re-mapped by Oil Basins in late 2008 utilising modern Prestack Time and Depth Migrated sections (**PSTM** and **PSDM**), respectively) and seismic inversion techniques. Earlier remapping and seismic inversion work had previously been undertaken in late 2007 by OBL. This data and the re-interpretation confirmed the presence of an acoustic impedance anomaly on seismic inversion sections, indicative of a large stratigraphic trap, such as had been recognized by a previous operator. This previous tenement operator, Golden Dynasty Resources, calculated a potential proved and probable (**2P**) recoverable oil resource for the median case, in the Clanmeyer Formation, of approximately 270 MMbbls. Using the newly reprocessed data, mentioned above, the current tenement operator, Backreef

Oil Limited, estimates the potential of this prospect also at 270 MMbbls, for the median case. Should the trap host gas, then the median potential gas resource likely is estimated to be 500 BCF. Oil Basins Group is earning an 80% beneficial interest in the Backreef Area.

Permit	Backreef Area (EP 129 R2&R3 and L6)
Earning Interest	80% Beneficial Interest
Gross Target Size	270 MMbbl (median case for oil)
Gross Target Size	500 BCF (median case for gas)
Total Depth	1,500 metres (Proposed)
Seismic Grid	Sparse – 2 lines reprocessed with PSTM and PSDM and seismic inversion
Nearest Oilfield	Blina – approximately 4.5 km due west
Prospect Style	Stratigraphic Trap – submarine clastic (sandstone) fan play

This Independent Expert Geologist Report assesses the prospectivity of both the Backreef and Emika Prospects in particular following the reprocessing of vintage seismic data and technical work conducted and commissioned by OBL during 2008 using advanced inversion and PSDM techniques.

The report concludes both prospects are highly attractive and drill-ready concluding that:

“The Backreef Prospect, filled to capacity and taking the median case, could host a gross oil resource of up to 270 MMbbls or a gross gas resource of up to 500 BCF in the Clanmeyer Formation alone”.

GROSS HYDROCARBON POTENTIAL	Low Estimate	Median Estimate	High Estimate
Unrisked Potential Recoverable Oil Resource:	141 MMbbl	270 MMbbl	337 MMbbl
Risked Potential Recoverable Oil Resource:	17.6 MMbbl	33.8 MMbbl	42.1 MMbbl
Unrisked Potential Recoverable Gas Resource:	261 BCF	500 BCF	624 BCF
Risked Potential Recoverable Gas Resource:	33 BCF	63 BCF	78 BCF

Note that “prospective resources” are those quantities of petroleum which are estimated (100% basis), on a given date, to be potentially recoverable from undiscovered accumulations.

This Report states “Drilling is the only way to quickly and cheaply answer the question of whether hydrocarbon saturated back reef section is present in the farm in area. The operator of the farm in area and its Joint Venture partners are reverting to old style “wildcat” exploration procedures, in vogue in the United States of America in the early part of last century. This involves the drilling of frontier wells with little or even no seismic coverage. This method of exploration proved to be very successful in Kansas, Oklahoma and Texas, amongst other areas, in particular and many giant oil and gas fields were discovered. It should be noted that the largest onshore oil field in the United States, the “**East Texas Pool**” or “**The Back Giant**” was discovered by a wildcatter in an area of East Texas abandoned by major companies after seismic data showed no structuring in the sub-surface, in spite of oil production in adjacent areas. The East Texas Field which is approximately 30 miles long and about 10 miles wide is purely a stratigraphic trap in which the Woodbine Formation (=Sand) pinches or wedges out against the igneous basement uplift of the Sabine Dome, with geometry not unlike that shown in Figure 13. Since discovery in the early 1930’s the East Texas Field has produced in excess of 5 billion barrels of oil.”

“If the back reef hypothesis is correct and the area does reservoir hydrocarbons then a new hydrocarbon province will be unveiled and large fields may be found. The back reef environment sustains prolific production in Canada and Mexico in particular, in the case of Canada, from rocks of a similar age and depositional setting. The producing intervals are of a younger Cretaceous age in Mexico. Oil is being produced from the immediate vicinity of the prospect.”

“The likely composition of hydrocarbons in the farm in area is oil, oil is far more profitable than gas and it is more readily and cheaply developed. Marine source rocks are more oil prone than terrestrial source

rocks and they expel hydrocarbons at an earlier stage of maturity than do terrestrial rocks. The prolific Western Canadian Sedimentary Basin also contains Devonian and Carboniferous aged carbonate rocks, this basin has generated vast amounts of oil. It contains the Athabasca Tar Sands, the world's largest oil pool. Here the migrated oil has reached the basin margin and the surface."

"As stated above, another attraction to the author is the fact that the observed seismic anomaly has interbedded seismic reflectors indicating alternating lithologies, hopefully the presence of juxtaposed sandstones, carbonates and calcareous sandstones, possible reservoirs and micritic mudstones, good potential source rocks and seals. This pattern is often indicative of back reef deposition, a very favourable hydrocarbon generating kitchen. The cyclic deposition, which results from repeated transgressions and regressions of the sea, places potential reservoir units immediately above possible source beds. This is an ideal configuration for entrapment as it involves a short migration pathway for the expelled hydrocarbons to the traps, be they structural or stratigraphic. Calcareous sandstones, as well as terrestrial sandstones, are known to be good reservoirs, as are fractured or dolomitic limestones, and micritic or "limey" mudstones are established source rocks. It is thought that mature source rocks are present in the immediate area, as oil is reservoired in the nearby reefs at Blina, Sundown and West Terrace, amongst others."

Drilling Reservation 9

Location – onshore Gregory Sub-Basin WA (refer to **Figure 4**)

Ownership (OBL - Rights to 20%)

Following satisfactorily executing a Farm-In Agreement, the joint venture interests will be as follows:

Backreef Oil Limited (BOL)	80% (Operator)
Oil Basins Limited (or Nominee)	20% Rights
Over-riding Royalties	Nil

Independent Geological Assessment of Hydrocarbon Potential of DR9

As previously stated, the Company commissioned an Independent Expert Geologist Report by Mr Roger Meaney on the hydrocarbon potential of the Backreef Prospect wholly contained within the Backreef Area which consists of Exploration Permit (EP) 129, Remainder Part 2 (R2) (part thereof) & R3 (all) and Production Licence (L) 6 (part thereof) and of the Emika Prospect in Drilling Reservation (DR) 9 onshore Canning Basin, Western Australia. See OBL's comprehensive ASX Release dated the 18 February 2009.

The permit hosting the Emika Prospect, DR 9, is located some 120 kilometres southeast of Fitzroy Crossing. Seismic data over this area was acquired by IEDC, now known as **Kufpec** (ie Kuwaiti Government Foreign Petroleum Exploration Company), in the mid-1980s. The data was subsequently reprocessed and remapped by Sydney Oil Company Drilling Equity Trust (**SOCDET**) in the early 1990s. SOCDET calculated a potential recoverable oil resource in the Anderson Formation of 84 MMbbl. The new, and current, tenement operator, Backreef Oil Limited maps the combined medium case potential of this prospect in the Betty and Anderson Formation target intervals at 107 MMbbl (**Figure 7 schematic**). Should the trap host gas, then the median potential gas resource likely is estimated to be 330 BCF. As at 30 June 2009, Oil Basins holds rights to a 20% interest in DR 9 by funding 33% of the drilling of Emika-1 capped at \$2.0 million (see update and notes to the accounts).

Permit	DR9
Earning Interest	20% Rights
Gross Target Size	107 MMbbl (median case)
Gross Target Size	330 BCF (median case)
Total Depth	1,500 metres (Proposed)
Seismic Grid	1.5km x 2.5km - all lines reprocessed with PSTM and PSDM
Nearest Oil Show	Cycas-1 – 20km northwest
Prospect Style	Conventional 4 way dip anticlinal closure clastic (sandstone) reservoir

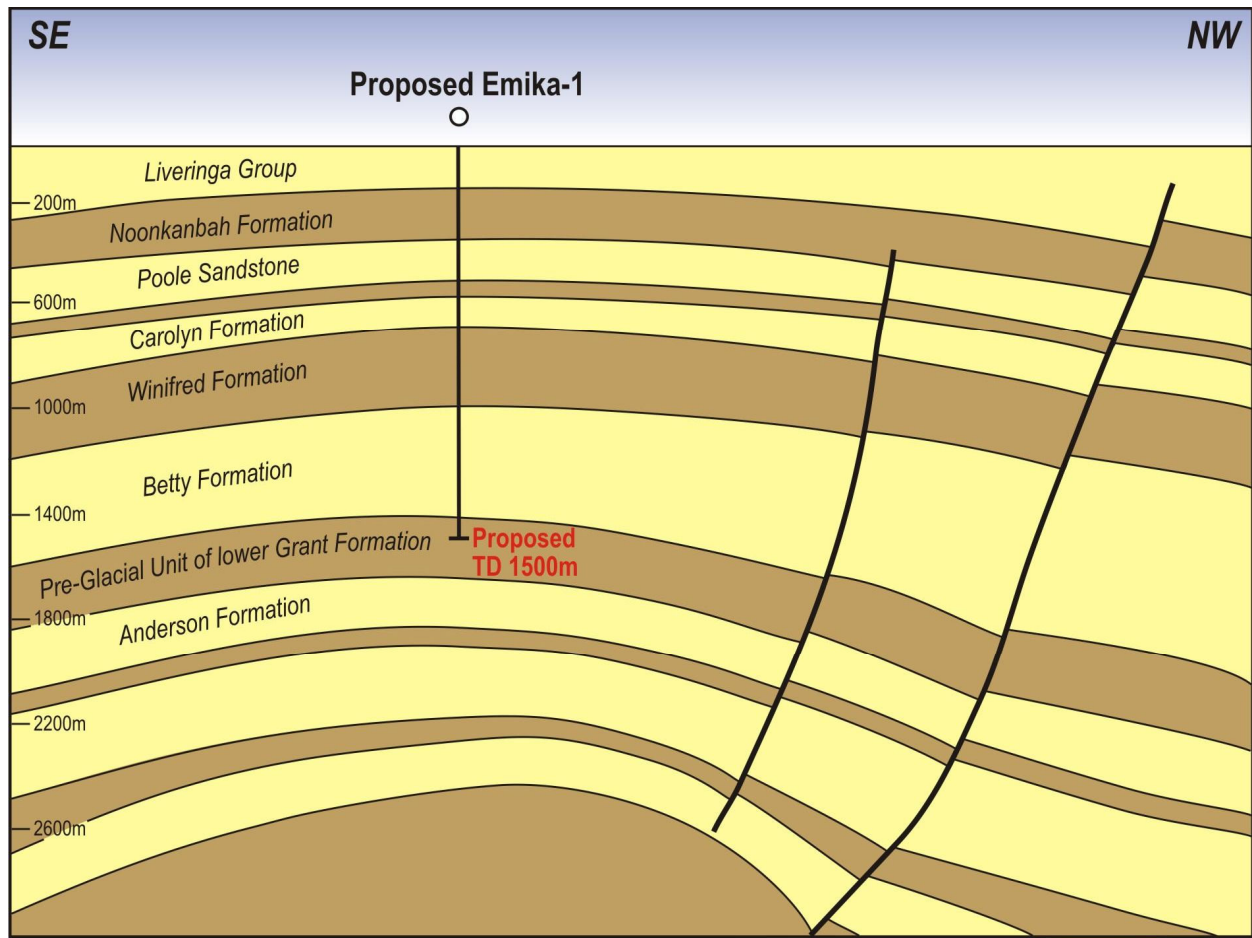


Figure 7
Emika Prospect (conventional robust 4-way dip closure)

This Report states “The Emika Prospect is a robust anticline rolling over into and on the downthrown side of the Selene Fault. The anticline shows structural growth during the Carboniferous and was probably formed by compressional forces associated with the Alice Springs Orogeny. This is encouraging since such structural growth is interpreted to be contemporaneous with peak source rock oil maturity and oil generation and migration from the main Frasnian source rocks of the Gogo Formation in the Fitzroy Sub-basin. Oil may have migrated up the Selene Fault and charged the sandstone reservoirs of the Anderson, Betty and Poole Formations, amongst others”

“Subdued anticlinal closure at the top of the Poole Sandstone indicates that the Emika Prospect may have been affected by the Late Triassic Fitzroy Movement. However, this tectonic event does not appear to have had a major influence on the Emika structure.”

“The Emika Prospect covers an area of 18 square km. (1800 hectares) and has 50 milliseconds (100m) of structural relief on the main target horizons.”

Specifically, the report concludes that the Emika Prospect is highly attractive robust prospect and drill-ready, concluding that:

“The Emika Prospect, filled to capacity and taking the median case, could host a gross oil resource of up to 107 MMbbls or a gross gas resource of up to 330 BCF in the combined Betty and Anderson Formations”.

GROSS HYDROCARBON POTENTIAL	Low Estimate	Median Estimate	High Estimate
<i>Unrisked Potential Recoverable Oil Resource:</i>	32 MMbbl	107 MMbbl	196 MMbbl
<i>Risked Potential Recoverable Oil Resource:</i>	4 MMbbl	13 MMbbl	24 MMbbl
<i>Unrisked Potential Recoverable Gas Resource:</i>	102 BCF	330 BCF	609 BCF
<i>Risked Potential Recoverable Gas Resource:</i>	13 BCF	41 BCF	76 BCF

Note that “prospective resources” are those quantities of petroleum which are estimated (100% basis), on a given date, to be potentially recoverable from undiscovered accumulations.

Update

As detailed earlier in the OBL 2009 Half Year Accounts the Farm-In Option extended to 31 March 2009 and both parties have agreed that the previously agreed terms be rolled until such time as the earlier of Third Party Farmin or Company sourced funding has occurred. During the forthcoming quarter there are presently no permit work program obligations as no well is due to be drilled in DR9 until 30 June 2010.

As the Independent Expert Report commissioned by the Company is quite positive on the Emika Prospect's overall prospectivity OBL is presently exploring the feasibility of bringing forward the timing of Emika-1 drilling in parallel with either a successful farmout or funding of the Backreef-1 prospect and with the sourcing of a suitable rig.

Should this OBL initiative be successful, the farmin interests in DR9 may be further revised or extended by agreement between related parties and or OBL Group entities.

Permit 5/07-8 EP

Location – onshore Fitzroy Sub-Basin WA (refer to **Figures 4 and 5**)

Ownership (OBL - 50%)

Following satisfactorily executing stakeholder and authorities agreements, the joint venture interests will be as follows:

Backreef	50% (Operator)
Oil Basins Limited (or Nominee)	50%
Over-riding Royalties	Nil

Update

The Operator has advised that meetings continue and some progress is being made with formal negotiations with respect to the relevant stakeholders Native Title Claim over the application area. This is expected to take some time.

No significant expenditures are anticipated to occur until approval from all relevant stakeholders and authorities are attained.

(C) CARNARVON BASIN – RETENTION LEASE R3

Carnarvon Basin Location Map

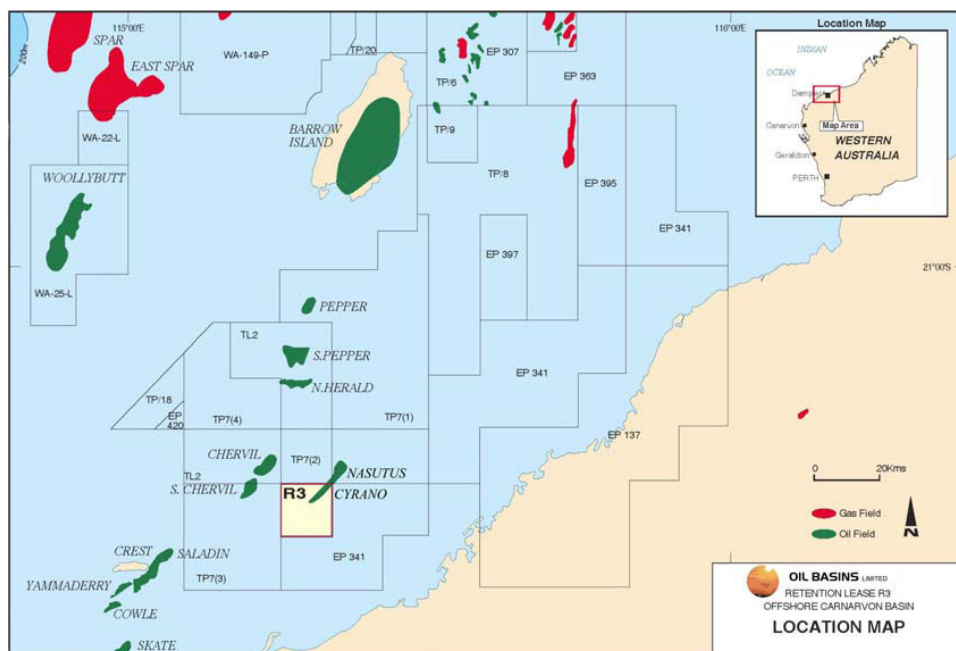


Figure 8
Location of Retention Lease R3 (Cyrano), Offshore Carnarvon Basin

Ownership (OBL - 25%)

Tap (Shelfal) Pty Ltd ("TAP Oil", a wholly owned subsidiary of Tap Oil Limited)	75% (Operator)
Oil Basins Limited	25%
Over-riding Royalties	Nil

Background

The main asset in R3 is the Cyrano Oil Field discovered in a water depth of around 15m. Cyrano-1 was drilled in March, 2003 to test an elongate amplitude and structural rollover at the Airlie Sandstone/Top Barrow Group level, (refer to **Figures 8, 9, 10 and 11**). The amplitude anomaly was interpreted to represent gas charged sands overlying an oil leg, similar to nearby fields at Chervil, South Chervil and Nasutus. Cyrano-1 intersected a 31.5 metres gross hydrocarbon column. Based on in-hole measured pressure data, the gas/oil contact is at -625m and the oil/water contact is at -635m. The discovered oil is heavy biodegraded 22.8° API oil.

Cyrano-2 was drilled in December, 2004 to appraise the Cyrano-1 oil discovery. It was located one km southwest of Cyrano-1 and was also deviated to test deeper Jurassic and Triassic objectives. Cyrano-2 encountered the top of the Mardie Greensand at 664.6m (-631.3m); the top of the Airlie Sands at 683.4m (-650.1m); and the top of the Barrow Group at 701.1m (-667.8m).

Cyrano-2 was designed to test the top Airlie Sandstone 14 metres down dip to Cyrano-1 to intersect the oil/water contact in the Mardie Greensand. However, the top of the Mardie Greensand came in 27.7m low to Cyrano-1 with only 3.7m of gross oil column at the top of the unit (refer to **Figure 10**).

Both the Airlie Sandstone and Barrow Group were water wet.

The Cyrano Oil Field is three way closed structure on the downthrown side of the Flinders Fault. The oil pools in the Early Cretaceous Mardie Greensand and Airlie Sands are sealed against the Early Triassic Locker Shale on the upthrown side of the fault.

The Cyrano Oilfield is on trend with the Nasutus Oilfield to the northeast in EP 409.

Recoverable “technical” reserves (P50) are estimated to be about one million barrels by the operator, TAP Oil but potential recoverable reserves (P10) could be up to four million barrels according to this report. Potential for additional reserves exists in R3 to the northeast of Cyrano-1 and to the southwest of Nasutus but a second appraisal well would be required to prove these potential reserves.

Update

As previously advised, the Company's 25% interest was formally assigned by Joint Venture partners in September 2008 and was formally registered by the Western Australia Department of Mines and Petroleum (**DMP**) in late January 2009.

The present work program obligations amount to a gross \$20,000 of geological and geophysical studies per annum (Company obligations are therefore net \$5,000 per annum plus 25% of the Operators expenses). The Operator has recently advised that reservoir engineering studies will be performed during 2009/10 with the Company's estimated net share of costs at a modest \$25,000.

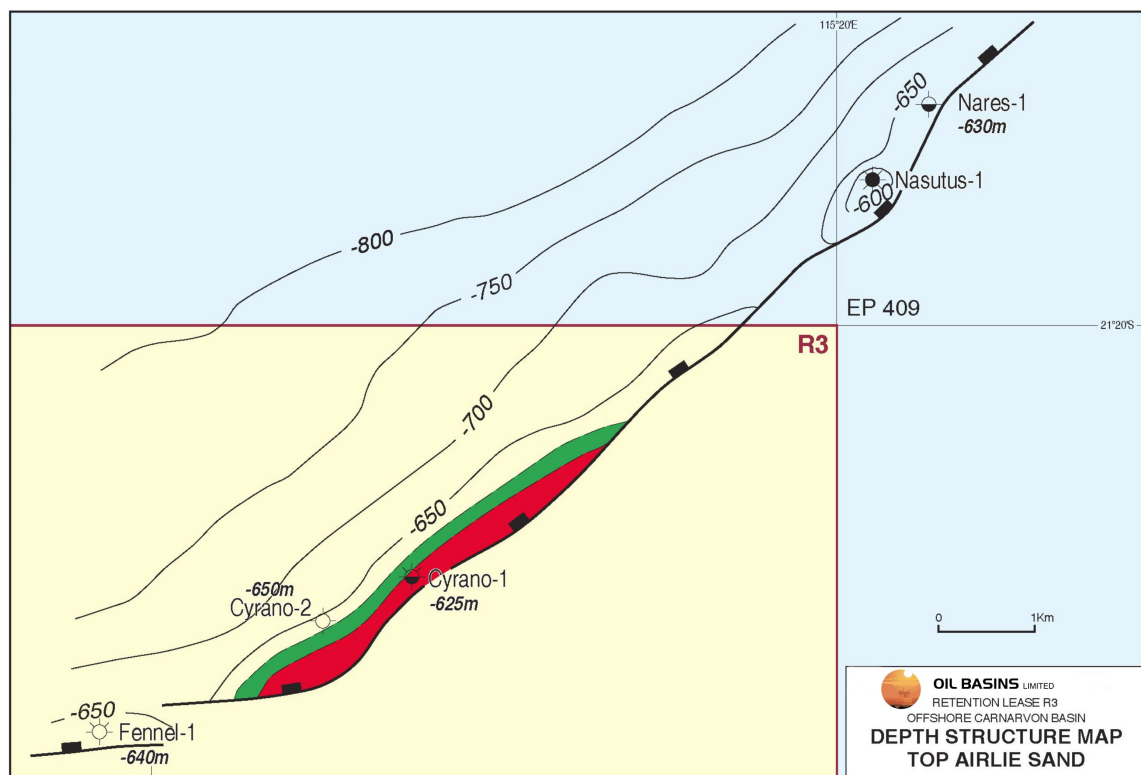


Figure 8
Top Airlie Sand – based upon OBL assessed data

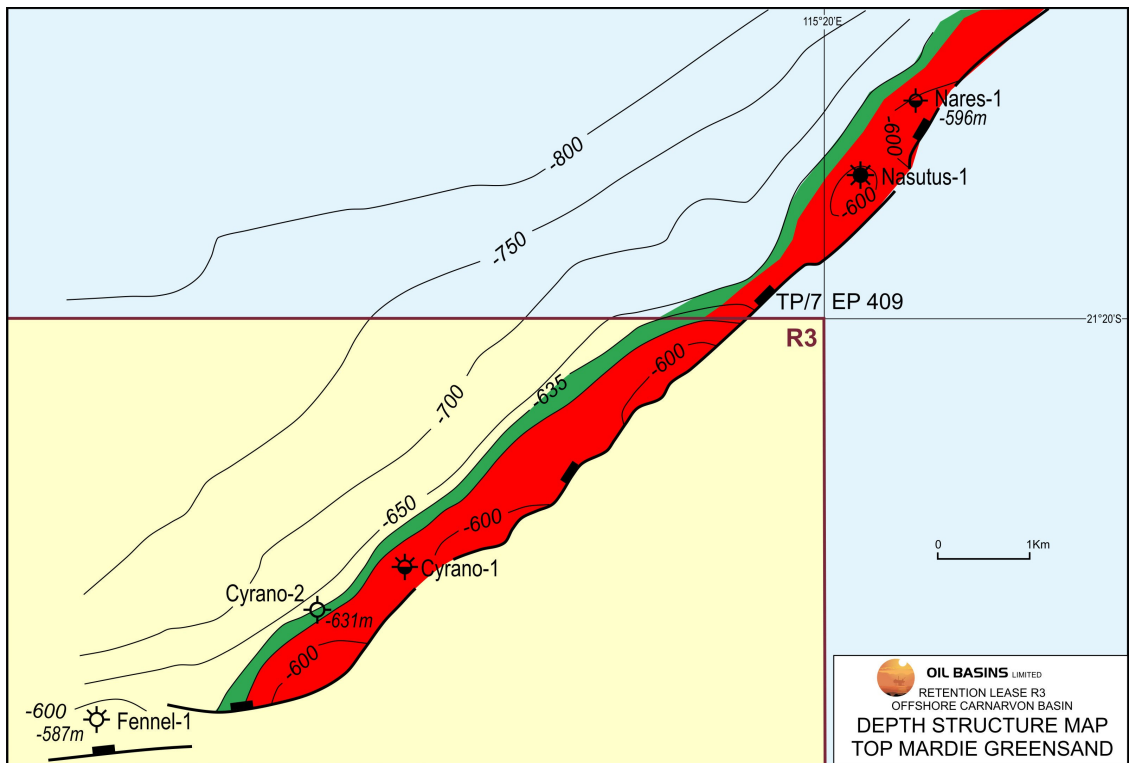


Figure 9
Top Mardie Greensand – based upon OBL assessed data

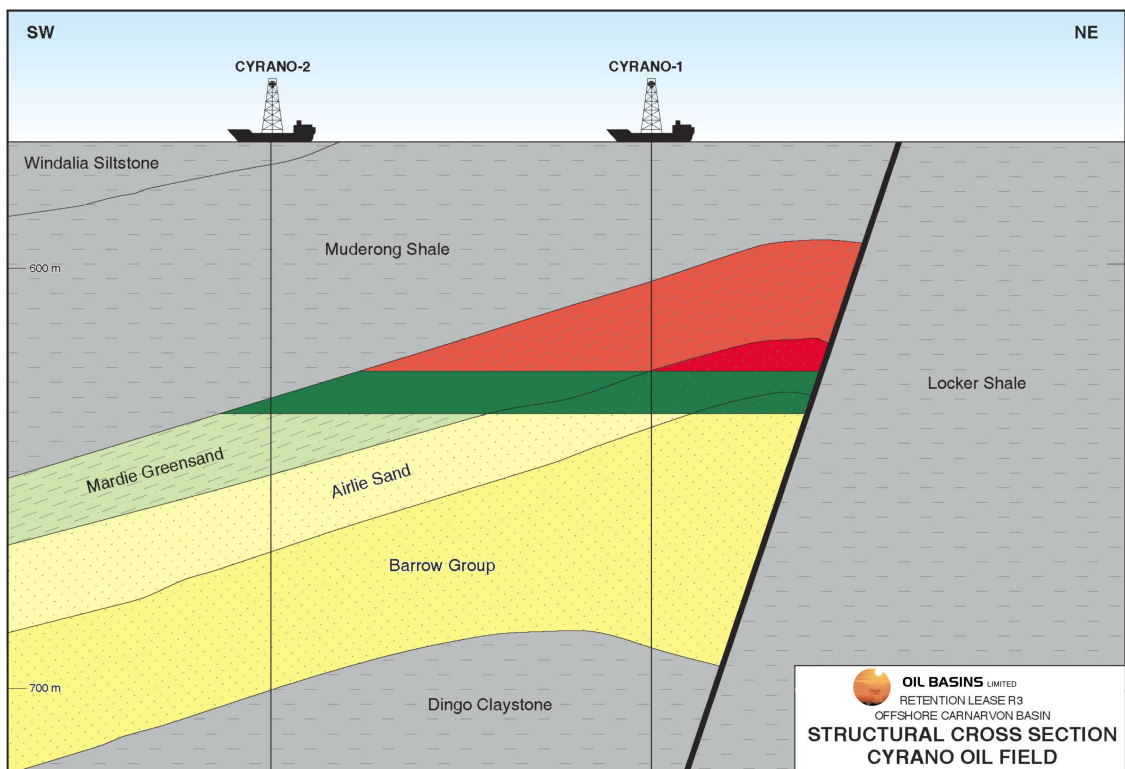


Figure 10
Schematic Cross Section Cyrano Oil Field

4. CAPITAL RAISING

OBL successfully carried out a Placement and Rights Issue during the first half of calendar 2009.

(a) Placement and Rights Issue – Completed during the June Quarter.

Oil Basins Limited appointed Patersons Securities Limited (Patersons) by way of an executed mandate letter dated 12 March 2009 as Lead Manager and Underwriter to a Placement of 5 million new (ASX code **OBL**) ordinary shares at 1.0¢ per share immediately followed by a partially underwritten (as to \$250,000 by Patersons) 3 for 2 Rights Issue of 59,875,661 new (ASX code **OBL**) ordinary shares issued at 1.0¢ together with approximately 59,896,384 free attaching New Options (ASX code **OBLOA**) issued on the basis of a free attaching 1 for 3 new class listed option (exercisable at 1.5¢ by 30 June 2012) to Rights subscribers, and 1 for 2 sub-underwriter commitment similar new class listed options, and issue of 10,000,000 free directors and management new class listed options (which together raised a gross amount of \$645,757).

The partially underwritten Rights Issue prospectus was lodged with ASIC on 24 March 2009 and following formal approval by relevant authorities, the Rights Offer was posted to all shareholders on 7 April 2009. The Rights Issue closed on 23 April 2009.

A General Meeting of Company shareholders was subsequently held on 30 April 2009, OBL shareholders approved amongst other items the issue of New Options to Rights Sub-underwriters and Directors.

On 15 May 2009, OBL announced a final shortfall allotment of 30,337,075 ordinary shares and 10,112,359 free attaching options comprising the final underwritten shortfall. In addition, a further 15,168,538 additional shortfall placement options (ASX code **OBLOA**) have been issued under the Company's 15% placement capacity.

Capital raising fees were 6% on all funds raised and net capital raising fees amounted to \$130,377.

(b) Capital Structure Post-Rights Issue

The effect of the Rights Issue on Oil Basins' capital structure is set out below:

Item	Shares	Options Exercisable at \$0.20 up to 30/09/09	Options Exercisable at \$0.015 up to 30/06/12
	ASX Code: OBL	ASX Code: OBLO	ASX Code: OBLOA
Shares and Options on issue prior to the Rights Issue	39,717,107	34,219,991	
New Shares and New Options pursuant to Rights/Shortfall	59,575,661	-	55,127,085
Total Number of Securities on issue after Rights Issue	99,292,768	34,219,991	55,127,085

5. CORPORATE

Activities Update

- As detailed in the Company's Right Issue Prospectus all of OBL's interests are presently available for Farm-in.
- As detailed in the Company's June Quarter Activities Report , the Company has prepared and successfully executed Confidentiality Agreements with Third Parties for (i) Vic/P41 Gippsland interests (both international and domestic), (ii) R3 (Cyrano) Carnarvon Basin interests and subsequent to the quarter (iii) all of its Canning Basins interests.
- Presently Farm-out / Divestment discussions continue across a number of assets
- Should any of these discussions lead to a successful farmout or a partial divestment of the Company's Rights on acceptable terms, OBL will make an immediate announcement to the ASX.

- e) Company successfully applied with ASIC for the formal change of status of its presently wholly owned entity OBL Backreef No.15 Pty Ltd to public company status and has also renamed this entity as **Canning Basin Oil Limited**.
- f) The Company was unsuccessful during the June Quarter 2009 in a bid for a non-operated offshore production property by sealed tender (after prior using its specialist consultants to review the petroleum assets). Both the asset and the bidding terms remain confidential.
- g) The Company remains focused on similar wealth creating opportunities should they arise during 2009/2010.

Appointment of Director

With the resignation of independent director Mr Graeme Menzies on 30 June 2009, the Company appointed a new independent director Mr Nigel Harvey. Mr Harvey previously worked two decades in the financial markets for Chase Manhattan, Barclays, JPMorgan and Macquarie marketing financial and commodity derivatives and other banking services to Australian and Asian customers and has subsequently become an independent consultant and director. His previous background of almost a decade in business journalism covering the middle east and oil related topics equipped him with a strong industry knowledge which he has applied to delivering tailored risk management and hedging solutions for producers, airlines and other clients across the Asia Pacific.

Mr Menzies was a founding director of Oil Basins Limited in June 2006 and the Company wishes to thank him for his exemplary services.

6. DISCLAIMER

Prospective Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. Investors should not infer that because "prospective resources" are referred to that oil and gas necessarily exist within the prospects. An equally valid outcome in relation to each of the Company's prospects is that no oil or gas will be discovered.

Technical Reserves in this preliminary assessment are considered similar to the definition of Contingent Resources (ie Low Estimate and High Estimate) with the following important caveat - it must be appreciated that the risk volumes as reported in terms of undeveloped Contingent Resources and Prospective Resources are risk assessed only in the context of applying 'Geological Chance of Success'. This degree of risk assessment does not incorporate the considerations of economic uncertainty and commerciality and consequently no future development as such can be assured.

The technical information quoted has been compiled and/or assessed by Company Director Mr Neil Doyle (from a number of sources) who is a professional engineer (BEng, MEngSc - Geomechanics) with over 30 years standing and a continuous Member of the Society of Petroleum Engineers since 1981 (SPE 25 Year Club Member) and by Mr Geoff Geary who is a professional geologist (BSc – Geology) with over 27 years standing and who is also a Member of the Petroleum Exploration Society of Australia. Both Mr Doyle and Mr Geary have consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear.

Investors should note the ASX materials previously quoted and the important definitions and disclaimers attached.

7. GLOSSARY & PETROLEUM UNITS

M	Thousand
MM	Million
B	Billion
Bbl, or bbl	Barrel of crude oil (ie 159 litres)
PJ	Peta Joule (1,000 Tera Joules (TJ))
BCF, or Bcf	Billion cubic feet
TCF, or Tcf	Trillion cubic feet
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)
POS	Risked Probability of Success
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
sst	Sandstone reservoir formation

OIL BASINS LIMITED
ABN 56 006 024 764

DIRECTORS' REPORT

The Directors of Oil Basins Limited submit herewith the Annual Financial Report of the Company for the financial year ended 30 June 2009. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Particulars
Mr Kim W McGrath	BEc(Hons) LLB FAICD FTIA CPA Non-Executive Chairman
Experience	Mr McGrath is an internationally experienced resources finance and investment banking executive. He is the Managing Director of Delta Corporate Finance Pty Limited a specialist advisory group based in Sydney with active business interests in Australia and the UK. His prior positions in Australia have included legal roles with Comalco and ICL, General Counsel and Company Secretary of Bank of America Australia, General Counsel with Bell Resources responsible for negotiating international lines of finance and business acquisitions, and in strategy and development as General Manager, Strategy and Planning with Industrial Equity. During the mid 1990s Mr McGrath was based in London and worked on the restructure of companies in eastern Europe and particularly on major operations in CIS metals and oil trading, and associated financing in both London and Geneva. After returning to Australia in 1998, Mr McGrath continued to hold full practising certificates as a Solicitor in both England and Wales and in Victoria, as well as holding Australian accounting qualifications as a CPA. He has also completed the Advanced Management Programme at Oxford University and is a Fellow of the Australian Institute of Company Directors where he has successfully completed their Company Directors Course Diploma.
Directorships in listed entities or their Manager where a listed trust	Strategic Energy Resources Limited (Director and Chairman since 4 December 2008) CVC Property Managers Limited (Director since 10 December 2004) Redbank Copper Limited (resigned 28 November 2008)
Relevant interests in shares and options	4,454,119 fully paid ordinary shares 3,000,000 listed 20 cent options expiring 30 September 2009 4,444,706 listed 1.5 cent options expiring 30 June 2012
Mr Neil F Doyle	BEng MEngSc MSPE, MSME Non-Executive Director
Experience	Neil Doyle is an energy specialist with both significant upstream and investment banking experience in the sector. He is a qualified engineer with post-graduate qualifications in geomechanics (Monash University) with significant operations experience covering both the upstream (onshore and offshore) oil and gas sector notably with BHP Petroleum & Esso Exploration and Production Australia and also in the downstream refining products / LPG sector with Shell Australia. Subsequently, he has held senior management roles at commercial, technical and business development levels with a number of diversified resources groups and investment banks – specialising in energy related merger and acquisition and capital raising transactions. Since the early 1990's he has over 13 years experience in energy-related financial markets including investment banking and corporate finance. This experience included all aspects of equity capital raisings, project finance, resources deal structuring – including international cross-border transactions and both initiating and advising on significant mergers and acquisitions within the energy sector within Australia and New Zealand. In the later capacity his last role prior to leaving JPMorgan in 2002, was as Senior Vice President in the Energy Mergers and Acquisitions department and a member of their Global Energy Investment Banking Team. Previously, Mr Doyle has had ASX listed public Company experience within the junior resources sector at Managing Director level prior to joining Patersons Securities Limited in March 2004 as Director Corporate Finance based in Melbourne. Mr Doyle has been a continuous Member of the Society of Petroleum Engineers, USA since 1981.

OIL BASINS LIMITED
ABN 56 006 024 764

DIRECTORS REPORT (CONT'D)

Mr Neil F Doyle	(Cont'd)
Directorships in listed entities	Nil
Relevant interests in shares and options	5,500,000 fully paid ordinary shares. 3,741,187 listed 20 cent options expiring 30 September 2009. 4,500,000 listed 1.5 cent options expiring 30 June 2012.
Mr Nigel H Harvey	BA (Hons) Non-Executive Director (appointed 2 July 2009)
Experience	Mr Harvey has worked two decades in the financial and commodity markets for the international energy banks The Chase Manhattan Bank, Barclays Bank and JPMorganChase (Director - Head of Asia Pacific Energy Derivatives) and more recently Macquarie Bank (Division Director - Energy Markets). He worked initially in credit and corporate finance but mainly in treasury divisions. There he gained extensive crude oil and energy products markets, derivatives, risk management and wider commodity and financial derivatives and markets experience. He focussed on delivering tailored risk management and hedging solutions for producers, airlines and other clients across the Asia Pacific. He has since developed an independent market risk consulting practice. His previous background of almost a decade in business journalism covering the Middle East, its oil sector and related topics equipped him with strong industry knowledge. He is a member of the Australian Institute of Company Directors and the Society of Petroleum Engineers (SPE).
Directorships in listed entities	Nil
Relevant interests in shares and options	555,000 fully paid ordinary shares
Mr Graeme A Menzies	LLM Non-Executive Director and Company Secretary (resigned 30 June 2009)
Experience	Mr Menzies is a solicitor practicing in the area of commercial law. In the course of his legal practice, Mr Menzies has been involved in a wide range of activities, including takeovers, litigation in respect thereof, numerous capital raisings and corporate reconstructions. He has been involved in the listing or relisting of a large number of public companies both industrial and mining.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Information about the remuneration of Directors and senior management is set out in the remuneration report of this Directors' report on pages 28 to 31.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During the year and up to the date of this report 10,500,000 options were issued to key management personnel, and no shares were issued as a result of options being exercised. At 30 June 2009 89,347,076 options were on issue (as detailed below). Refer to Note 6 to the financial statements for details of options granted.

Details of unissued ordinary shares of the Company under option at the date of this report are as follows:

Item	Number of Shares under option	Exercise Price of options	Expiry Date of Options
Listed Options	34,219,991	20 cents	30 September 2009
Listed Options	55,127,085	1.5 cents	30 June 2012

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company.

DIRECTORS REPORT (CONT'D)

COMPANY SECRETARY

Ms Melanie J Leydin

B.Bus CA

Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specialising in audit and Company secretarial services. Ms Leydin has 18 years experience in the accounting profession and is a Director and Company secretary for a number of junior oil and gas, mining and exploration entities listed on the Australian Stock Exchange.

GEOLOGICAL CONSULTANT

Mr Geoff Geary

B.Sc (Geology), MPESA

Geoff Geary is a consultant petroleum geologist (formerly with Oil Company of Australia and Mobil Oil) of 27 years standing. He has had significant experience in Company mergers, acquisitions, acreage promotion and farmouts in his career, both with smaller national companies and with major multi-nationals. He is experienced in sedimentary basin analysis, sequence stratigraphy, structural geology, seismic interpretation, basin modeling and oil and gas field evaluation and development.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the investment in selected exploration production and development opportunities in the upstream oil and gas sector.

OPERATING RESULTS

The Group's consolidated net loss for the year after applicable income tax was \$660,488 (2008: loss \$359,638).

REVIEW OF OPERATIONS

The Company's Review of Operations is preceding this Directors' Report on page 3.

REVIEW OF FINANCIAL POSITION

The net assets of the consolidated entity have increased by \$7,983 to \$1,614,997 as at 30 June 2009. The major movements were due to general operational payments.

The consolidated entity's working capital, being current assets less current liabilities was \$289,419 compared with \$480,897 in 2008. During the year the following occurred:

- The Company issued 833,333 shares in consideration for petroleum exploration rights.
- The Company issued 64,575,661 shares to raise \$645,756.61 (before costs)
- The Company issued 55,127,085 options expiring 30 June 2012 with an issue price of \$0.015.

As a result of the above together with the events occurring after balance date, the Directors believe the Company is in a strong and stable position to expand and grow its current operations.

FUTURE DEVELOPMENTS

Disclosure of further information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance, other than that referred to in Note 24, that has arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS REPORT (CONT'D)

DIVIDENDS

No dividend has been declared or paid during the financial year and the Directors do not recommend the payment of any dividend in respect of the current or preceding financial years.

ENVIRONMENTAL REGULATIONS

The economic entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2009.

PROCEEDINGS ON BEHALF OF THE COMPANY

The economic entity holds participating interests in a number of exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under the terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2009.

The Company was not a party to any proceedings during the year other than the ARC/AWE scheme of arrangement and the ARC circumvention proceedings.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the State of Affairs during the year.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. During the financial year, 7 board meetings and 2 audit committees meetings were held. There is no separate remuneration or nomination committee other than the board which fulfils these roles.

DIRECTORS	BOARD OF DIRECTORS		AUDIT COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED
Mr K McGrath	7	7	2	2
Mr N Doyle	7	7	2	2
Mr G Menzies	7	7	-	-

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such as Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS REPORT (CONT'D)

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

The non-audit services provided by the Company's auditor during the year to 30 June 2009 was the review of the Company's Rights Issue Prospectus at a cost of \$2,500.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporations Act 2001* in relation to the audit of the full year is included on page 32.

REMUNERATION REPORT

The remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's Directors and its senior management for the financial year ended 30 June 2009. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of Directors and senior management
- key terms of employment contracts.

Director and senior management details

The following persons acted as Directors of the Company during or since the end of the financial year:

Mr K McGrath (Chairman and Non-Executive Director)

Mr N Doyle (Non-Executive Director)

Mr N Harvey (Non-Executive Director) – appointed 2 July 2009

Mr G Menzies (Non-Executive Director) – resigned 30 June 2009

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Ms M Leydin (Company Secretary)

Mr G Geary (Geological Consultant)

This report outlines the remuneration arrangements in place for Directors and executives of Oil Basins Limited (the "Company").

The board policy for determining the nature and amount of remuneration of Directors and executives is agreed by the board as a whole. The board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

Executive Director Remuneration

In determining the level and make-up of executive remuneration, the board negotiates a remuneration package to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

DIRECTORS REPORT (CONT'D)

Remuneration consists of a fixed remuneration and a long term incentive portion as appropriate.

Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. The limit of Non-Executive Director fees was set at a maximum of \$200,000 at a general meeting of shareholders held on 30 May 2006. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Directors retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by Shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the Non-Executive Directors when undertaking the annual review process.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution. Further details regarding components of Director and executive remuneration are provided below.

Company performance, shareholder wealth and Director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The achievement of this aim has been through the issue of options to Directors and executives to encourage the alignment of personal and shareholder interests.

Non-Executive Directors, other key management personnel and other senior employees have been granted options over ordinary shares. The recipients of options are responsible for growing the Company and increasing shareholder value. The options provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

Relationship between the remuneration policy and Company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the period since listing (August 2006) to June 2009:

	30/06/2009	30/06/2008	30/06/2007	30/06/2006**	30/06/2005 **
Revenue	96,830	49,671	53,541	-	251,006
Net profit/(loss) before tax	(660,488)	(359,638)	(362,122)	(1,337,031)	8,868
Net profit/(loss) after tax	(660,488)	(359,638)	(362,122)	(1,337,031)	8,868
Share price at start of year	\$0.12	\$0.11	\$0.11	N/A	N/A
Share price at end of year	\$0.015	\$0.12	\$0.11	N/A	N/A
Basic earnings per share (cents)	(1.51)	(1.06)	(1.13)	(9.20)	0.10
Diluted earning per share (cents)	(1.51)	(1.06)	(1.13)	(9.20)	0.10

**Oil Basins Limited (formerly Saxon Investment Group Limited) was requested on the Australian Stock Exchange in August 2006.

The remuneration of the Directors and executives are not linked to the performance, share price or earnings of the Company.

DIRECTORS REPORT (CONT'D)

Remuneration of Directors and senior management

The compensation of each member of the key management personnel of the consolidated entity is set out below.

Details of Remuneration for Year Ended 30 June 2009

The remuneration for each Director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short-term employment benefits	Post-employment	Equity		
	Salary, Fees and Commissions \$	Superannuation Contribution \$	Shares Received as Compensation \$	Fair value of options Received as Compensation \$	Total \$
Mr K McGrath	50,000	4,500	-	25,200	79,700
Mr N Doyle	50,000	4,500	-	25,200	79,700
Ms M Leydin	60,000	-	-	6,150	66,150
Mr G Menzies	30,000	2,700	-	6,300	39,000
Mr G Geary	48,000	-	-	6,150	54,150
	238,000	11,700	-	69,000	318,700

Details of Remuneration for Year Ended 30 June 2008

The remuneration for each Director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short-term employment benefits	Post-employment	Equity		
	Salary, Fees and Commissions \$	Superannuation Contribution \$	Shares Received as Compensation \$	Fair value of options Received as Compensation \$	Total \$
Mr K McGrath	50,000	4,500	-	-	54,500
Mr N Doyle	50,000	4,500	-	-	54,500
Ms M Leydin	60,000	-	-	-	60,000
Mr G Menzies	30,000	2,700	-	-	32,700
Mr G Geary	47,000	-	-	-	47,000
	237,000	11,700	-	-	248,700

Options Issued as Part of Remuneration for the Year Ended 30 June 2009

Options are intended to be issued to Directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to increase goal congruence between Directors, executives and shareholders.

DIRECTORS REPORT (CONT'D)

	Number of Options granted	Grant date (2)	Fair value at Grant date \$	Total value of options granted at grant date (1)	Exercise Price of Options \$	Expiry Date of Options	Options Vested during the year No.
Mr K McGrath	4,000,000	30/04/2009	0.0063	25,200	0.015	30/06/2012	4,000,000
Mr N Doyle	4,000,000	30/04/2009	0.0063	25,200	0.015	30/06/2012	4,000,000
Mr G Menzies	1,000,000	30/04/2009	0.0063	6,300	0.015	30/06/2012	1,000,000
Ms M Leydin	500,000	30/04/2009	0.0063	3,150	0.015	30/06/2012	500,000
Ms M Leydin	250,000	29/08/2008	0.0120	3,000	0.200	30/09/2009	250,000
Mr G Geary	500,000	30/04/2009	0.0063	3,150	0.015	30/06/2012	500,000
Mr G Geary	250,000	29/08/2008	0.0120	3,000	0.200	30/09/2009	250,000

(1): The value of options granted during the financial year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

(2): Details of the option valuation are at Note 22.

Options Issued as Part of Remuneration for the Year Ended 30 June 2008

There were no options granted to Directors and executives as part of their remuneration for the year ended 30 June 2008.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no shares issued as part of remuneration for the year ended 30 June 2009

Shares Issued as Part of Remuneration for the Year Ended 30 June 2008

There were no shares issued as part of remuneration for the year ended 30 June 2008.

Employment contracts

There were no employment contracts in place during or subsequent to the end of the financial year.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Kim Warren McGrath

Chairman

MELBOURNE, 30 September 2009

The Board of Directors
Oil Basins Limited
Suite 304, 22 St Kilda Road
ST KILDA VIC 3182

30 September 2009

Dear Board Members

Oil Basins Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Oil Basins Limited.

As lead audit partner for the audit of the financial statements of Oil Basins Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants

Independent Auditor's Report to the members of Oil Basins Limited

Report on the Financial Report

We have audited the accompanying financial report of Oil Basins Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 35 to 67.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Oil Basins Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that on the basis of the consolidated entity's current expenditure levels and the cash flow forecast for the 2009/10 financial year, the consolidated entity will require additional funds by approximately February 2010 to continue in its current form and structure. This condition, along with the other matters set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's and company's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 31 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Oil Basins Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU


Craig Bryan
Partner
Chartered Accountants
Melbourne, 30 September 2009

DIRECTORS' DECLARATION

The Directors declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) in the Directors' opinion, the attached financial statements and notes thereto, are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- c) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Kim Warren McGrath
Chairman

MELBOURNE, 30 September 2009

OIL BASINS LIMITED
ABN 56 006 024 764

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
	Note	2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	3	96,830	49,671	96,830	49,671
Corporate expenses		(367,497)	(119,088)	(367,497)	(119,088)
Administrative expenses		(54,040)	(40,006)	(54,040)	(40,006)
Employment and consulting expenses		(265,992)	(249,821)	(265,992)	(249,821)
Share based payments expense		(69,000)	-	(69,000)	-
Depreciation		(789)	(394)	(789)	(394)
Loss before Income Tax	4	(660,488)	(359,638)	(660,488)	(359,638)
Income tax expense	5	-	-	-	-
Loss for the year		(660,488)	(359,638)	(660,488)	(359,638)
		Cents per	Cents per		
		Share	Share		
Loss per Share					
Basic Loss per share	22	(1.51)	(1.06)		
Diluted Loss per share	22	(1.51)	(1.06)		

This statement is to be read in conjunction with the notes to the financial statements.

OIL BASINS LIMITED
ABN 56 006 024 764

BALANCE SHEET
AS AT 30 JUNE 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	19(a)	301,519	505,067	301,219	504,767
Trade and other receivables	8	26,396	13,438	26,396	13,438
Total Current Assets		327,915	518,505	327,615	518,205
Non-Current Assets					
Property, plant and equipment	9	788	1,577	788	1,577
Other financial assets	10	-	-	66,725	62,920
Petroleum exploration expenditure	11	1,324,790	1,124,540	1,258,365	1,061,920
Total Non-Current Assets		1,325,578	1,126,117	1,325,878	1,126,417
Total Assets		1,653,493	1,644,622	1,653,493	1,644,622
Current Liabilities					
Trade and other payables	12	38,496	37,608	38,496	37,608
Total Current Liabilities		38,496	37,608	38,496	37,608
Total Liabilities		38,496	37,608	38,496	37,608
Net Assets		1,614,997	1,607,014	1,614,997	1,607,014
Equity					
Issued Capital	13	4,325,665	3,726,194	4,325,665	3,726,194
Reserves	14	663,014	594,014	663,014	594,014
Accumulated losses		(3,373,682)	(2,713,194)	(3,373,682)	(2,713,194)
Total Equity		1,614,997	1,607,014	1,614,997	1,607,014

This statement is to be read in conjunction with the notes to the financial statements.

OIL BASINS LIMITED
ABN 56 006 024 764

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED				
	Issued Capital Note 13	Accumulated Losses	Option Reserves Note 14	Total
Equity as at 1 July 2007	3,726,194	(2,353,556)	594,014	1,966,652
Loss for the year (A)	-	(359,638)	-	(359,638)
Equity as at 30 June 2008	3,726,194	(2,713,194)	594,014	1,607,014

Equity as at 1 July 2008	3,726,194	(2,713,194)	594,014	1,607,014
Loss for the year (A)	-	(660,488)	-	(660,488)
Issue of Options	-	-	69,000	69,000
Issue of Shares	737,424	-	-	737,424
Costs of Capital Raising	(137,953)	-	-	(137,953)
Equity as at 30 June 2009	4,325,665	(3,373,682)	663,014	1,614,997

PARENT				
	Issued Capital Note 13	Accumulated Losses	Option Reserves Note 14	Total
Equity as at 1 July 2007	3,726,194	(2,353,556)	594,014	1,966,652
Loss for the year (A)	-	(359,638)	-	(359,638)
Equity as at 30 June 2008	3,726,194	(2,713,194)	594,014	1,607,014

Equity as at 1 July 2008	3,726,194	(2,713,194)	594,014	1,607,014
Loss for the year (A)	-	(660,488)	-	(660,488)
Issue of Options	-	-	69,000	69,000
Issue of Shares	737,424	-	-	737,424
Costs of Capital Raising	(137,953)	-	-	(137,953)
Equity as at 30 June 2009	4,325,665	(3,373,682)	663,014	1,614,997

(A) Loss for the year equals total recognised income and expense for the year

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

		Consolidated		Parent	
	Note	2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Interest received		15,858	49,671	15,858	49,671
Receipts from customers		80,000	-	80,000	-
Payments to suppliers and employees		(698,627)	(442,644)	(698,627)	(442,644)
Net cash used in operating activities	19(c)	(602,769)	(392,973)	(602,769)	(392,973)
Cash flows from investing activities					
Payments for petroleum exploration expenditure		(108,583)	(123,078)	(104,778)	(118,146)
Payments for property, plant and equipment		-	(1,971)	-	(1,971)
Advances to subsidiaries		-	-	(3,805)	(4,932)
Net cash used in investing activities		(108,583)	(125,049)	(108,583)	(125,049)
Cash flows from financing activities					
Proceeds from issue of equity securities		645,757	-	645,757	-
Payment for share issue costs		(137,953)	-	(137,953)	-
Net cash flows provided by financing activities		507,804	-	507,804	-
Net Decrease in cash and cash equivalents		(203,548)	(518,022)	(203,548)	(518,022)
Cash and cash equivalents at beginning of the financial year		505,067	1,023,089	504,767	1,022,789
Cash and cash equivalents at the end of the financial year	19(a)	301,519	505,067	301,219	504,767

This statement is to be read in conjunction with the notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

1. SUMMARY OF ACCOUNTING POLICIES

Corporate Information

Oil Basins Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group and the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 30 September 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets received. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009.

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the reasons described below, there is significant uncertainty whether the company and consolidated entity will continue as going concerns:

- On the basis of the group's current expenditure levels and the cash flow forecast for the 2009/2010 financial year, the company will require additional funds by approximately February 2010 to continue in its current form and structure.
- The consolidated entity and the company recorded a net loss of \$660,488 and \$660,488 respectively for the 2008/2009 financial year and had net cash outflows from operating activities for the year of \$602,769 and \$602,769 respectively, notwithstanding that the loss and net cash outflows for the year included non-recurring legal expenses paid of approximately \$300,000 relating to the OBL – ARC Energy legal dispute.

Notwithstanding the above, the financial report has been prepared on a going concern basis on the basis of the following assumptions:-

- (i) The ability of the group to successfully raise additional capital; and
- (ii) The successful completion of farm out arrangements of the group's existing tenement portfolio.

At the date of this report and having considered the above position, the directors are confident that the company and consolidated entity will be able to continue as going concerns given the following:

- (a) A successful rights issue was completed in June 2009 raising \$458,000 (net of share issue costs). The directors believe that they will be able to raise additional funds in future periods.
- (b) On 17 September 2009 the Company announced a proposed funding offer through its wholly owned subsidiary, Canning Basin Oil Limited. The offer proposes to raise a minimum of

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

\$3,000,000 and a maximum of \$5,950,000. OBL will receive \$400,000 as reimbursement of costs paid on behalf of Canning Basin Oil Limited if the minimum fund raising is achieved.

- (c) The company is in discussions with other interested parties to farm out some of its existing portfolio of tenements.

At the date of this report and having considered the above factors, the directors are confident that the company and the consolidated entity will be able to continue as going concerns.

Notwithstanding this there is significant uncertainty whether the company and the consolidated entity will continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Adoption of new and revised Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affect both current and future periods.

Refer to Note 2 for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Oil Basins Limited and its subsidiaries as at 30 June each year ("the Group").

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Oil Basins Limited has control.

At 30 June 2009 there were 3 subsidiary entities, as detailed in Note 23.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

(b) Joint venture assets

Interests in jointly controlled assets in which the Group is a venturer (and so has joint control) are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Group's share of expenses and income incurred by or in respect of each joint venture.

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at date of acquisition.

(d) Financial instruments issued by the Company

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Petroleum Exploration Expenditure

Petroleum exploration expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward in relation to each area of interest to the extent the following conditions are satisfied:

(a) the rights to tenure of the area of interest are current; and

(b) at least one of the following conditions is also met:

(i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

(ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward cost in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the cost of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Refer to accounting policy (b) "Joint Venture Assets" for policies on jointly controlled assets.

(i) Financial Assets

Investments

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Effective Interest Rate Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate method for debt instruments other than those financial assets at 'fair value through profit and loss'

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

The gain or loss arising on disposal or retirement of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Plant and equipment 5 – 15 years

(k) Share-Based Payments

Equity-settled share-based payments with employees and other providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in the Remuneration Report within the Directors Report and Note 21.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

(m) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the Company:

AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009) AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	Effective for annual reporting periods beginning on or after 1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	Effective for annual reporting periods beginning on or after 1 July 2009	30 June 2010
AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	Effective for annual reporting periods beginning on or after 1 July 2009	30 June 2010
AASB 2009-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	Effective for annual reporting periods beginning on or after 1 January 2010	30 June 2011

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimation of useful lives of Plant and Equipment

The estimation of useful lives of plant and equipment has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and software developers' support and maintenance programs (operating computer software and intangible computer software). Adjustments to useful lives are made when considered necessary and reviewed at each balance date as stated in Note 1(j). Depreciation and amortisation charges as well as estimated lives are included in Notes 1(j) and 9.

Consolidated		Parent	
2009	2008	2009	2008
\$	\$	\$	\$

3. REVENUE

Revenue from continuing operations consisted of the following items

Revenue from the rendering of services	80,000	-	80,000	-
Other Income:				
Interest revenue	16,830	49,671	16,830	49,671
Total Revenue	96,830	49,671	96,830	49,671

4. LOSS FROM OPERATIONS

Loss before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations

Post employment benefit - Contribution plans	11,700	11,700	11,700	11,700
Depreciation of non-current assets	(789)	(394)	(789)	(394)
Equity settled share based payments (Note 14)	69,000	-	69,000	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
5. INCOME TAX EXPENSE				
(a) The components of tax expense comprise:				
Current Tax	-	-	-	-
Deferred Tax	-	-	-	-
	-	-	-	-
(b) The prima facie tax from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Profit/(Loss) from Ordinary Activities	(660,488)	(359,638)	(660,488)	(359,638)
Income tax expense/(benefit) calculated at 30%	(198,146)	(107,891)	(198,147)	(107,891)
Add:				
Tax Effect of:				
- Share based payments	20,700	-	20,700	-
- Accrued expenses	630	570	630	570
	(176,816)	(107,321)	(176,817)	(107,321)
Add/(Less) Temporary Differences:				
- Capitalised deductible exploration expenditure	(60,075)	(36,923)	(58,934)	(35,444)
- Deductible share issue costs	(46,247)	(34,370)	(46,247)	(34,370)
Tax benefit for the year	(283,138)	(178,614)	(281,998)	(177,135)
Benefit of income tax loss not recognised	283,138	178,614	281,998	177,135
Tax Expense	-	-	-	-
Deffered Tax assets not brought to account as assets:				
- Tax Losses	947,771	664,633	927,843	645,847
- Temporary Differences	(524,804)	(419,112)	(504,877)	(400,326)
	422,967	245,521	422,966	245,521

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised.
- ii) The consolidated entity continues to comply with the conditions for deductibility imposed by law, and
- iii) No change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

6. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) The key management personnel of Oil Basins Limited during the year were:

Mr K W McGrath	Chairman – Non Executive
Mr N F Doyle	Director – Non Executive
Mr G A Menzies	Director – Non-Executive (resigned 30 June 2009)
Ms M J Leydin	Company Secretary
Mr G Geary	Geological Consultant

(b) Compensation practices

Refer to Remuneration Report contained within the Directors' Report.

(c) Key Management Personnel Compensation

The aggregate compensation of the Directors and senior management of the consolidated entity and the Company is set out below:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term employment benefits	238,000	237,000	238,000	237,000
Post employment benefits	11,700	11,700	11,700	11,700
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	69,000	-	69,000	-
	318,700	248,700	318,700	248,700

Refer to Remuneration Report contained within the Directors' Report for details on remuneration per individual Director.

(d) Option holdings by Key Management Personnel or their nominees

	Balance 1.7.2007	Granted as Compensation	Net Change Other ⁽¹⁾	Balance 30.6.2008
Mr K McGrath	3,000,000	-	-	3,000,000
Mr N Doyle	3,741,187	-	-	3,741,187
Mr G Menzies	1,250,000	-	-	1,250,000
Ms M J Leydin	-	-	-	-
Mr G Geary	250,000	-	-	250,000
	8,241,187	-	-	8,241,187

	Balance 1.7.2008	Granted as Compensation	Net Change Other ⁽¹⁾	Balance 30.6.2009 ⁽³⁾
Mr K McGrath	3,000,000	4,000,000	444,706	7,444,706
Mr N Doyle	3,741,187	4,000,000	500,000	8,241,187
Mr G Menzies ⁽²⁾	1,250,000	1,000,000	-	2,250,000
Ms M J Leydin	-	750,000	-	750,000
Mr G Geary	250,000	750,000	-	1,000,000
	8,241,187	10,500,000	944,706	19,685,893

(1) Net Change Other refers to options purchased, sold or transferred during the year.

(2) Resigned 30 June 2009

(3) All options at 30 June 2009 were vested and exercisable

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

(e) Shareholdings by Key Management Personnel or their nominees

	Balance 1.7.2007	Received as Compensation	Options Exercised	Net Change Other ⁽¹⁾	Balance 30.6.2008
Mr K McGrath	2,890,000	-	-	-	2,890,000
Mr N Doyle	3,550,000	-	-	-	3,550,000
Mr G Menzies	821,000	-	-	-	821,000
Ms M J Leydin	-	-	-	-	-
Mr G Geary	-	-	-	-	-
	7,261,000	-	-	-	7,261,000

	Balance 1.7.2008	Received as Compensation	Options Exercised	Net Change Other ⁽¹⁾	Balance 30.6.2009
Mr K McGrath	2,890,000	-	-	1,564,119	4,454,119
Mr N Doyle	3,550,000	-	-	1,950,000	5,500,000
Mr G Menzies	821,000	-	-	-	821,000
Ms M J Leydin	-	-	-	-	-
Mr G Geary	-	-	-	-	-
	7,261,000	-	-	3,514,119	10,775,119

⁽¹⁾ Net Change Other refers to shares purchased during the year.

Consolidated		Parent	
2009	2008	2009	2008
\$	\$	\$	\$

7. AUDITORS REMUNERATION

**Auditor of the Parent Entity - Deloitte
Touche Tohmatsu**

Auditing or reviewing the financial report	38,825	31,300	38,825	31,300
Other services	2,500	-	2,500	-
	41,325	31,300	41,325	31,300

8. TRADE AND OTHER RECEIVABLES

Current

Goods and services tax receivables	25,423	6,724	25,423	6,724
Other receivables	973	6,714	973	6,714
	26,396	13,438	26,396	13,438

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
9. PLANT AND EQUIPMENT				
Plant and equipment - at cost	1,971	1,971	1,971	1,971
Less: Accumulated Depreciation	(1,183)	(394)	(1,183)	(394)
	788	1,577	788	1,577

	Plant and Equipment	
	Consolidated and Company	
	2009	2008
	\$	\$
Reconciliation of carrying value		
Carrying amount at beginning of the year	1,577	-
Additions	-	1,971
Depreciation expense	(789)	(394)
Carrying amount at end of the year	788	1,577

10. OTHER FINANCIAL ASSETS

Investments carried at cost

Non-Current

Investments in Subsidiaries (Note 23)	-	-	300	300
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Loans carried at amortised cost:

Non-Current

Loans to Subsidiaries (i)	-	-	66,725	62,620
	-	-	67,025	62,920
Disclosed in the financial statements as:				
Current other financial assets	-	-	-	-
Non-current other financial assets	-	-	66,725	62,920
	-	-	66,725	62,920

- (i) Receivables from entities within the wholly owned group arise from Oil Basins Limited funding the petroleum exploration expenditure for its subsidiaries. The intercompany loan receivable is repayable when the subsidiary is in a financial position to repay and the outstanding balance does not incur any interest.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
11. PETROLEUM EXPLORATION EXPENDITURE				
Petroleum Exploration Expenditure (Note 1 (h))	1,324,790	1,124,540	1,258,365	1,061,920
<u>Reconciliation of petroleum Exploration expenditure</u>				
Balance at beginning of the year	1,124,540	1,001,462	1,061,920	943,774
Issue of shares for petroleum exploration licence rights	91,667	-	91,667	-
Acquisition of petroleum exploration expenditure ⁽¹⁾	108,583	123,078	104,778	118,146
Balance at end of the year	1,324,790	1,124,540	1,258,365	1,061,920

⁽¹⁾ Capitalised cost of \$108,583 (2008: \$123,078) have been included in cash flows from investing activities in the cash flow statement for the consolidated entity.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company has acquired the right to earn interests in six petroleum exploration ventures as follows:

i) *Vic/P41 Permit Joint Venture – Rights 12.5%:*

- With the completion of the 2D seismic survey shot in the preceding year, only modest 12.5% pro-rata Operator management costs were incurred during 2009.
- The fixed and variable costs were re-assessed by the Joint Venture during 2009, with the net impact being a modest overall reduction in the variable costs.
- Actual costs in arrears were charged at around \$32,000 for the work program period 20 September 2008 to 30 June 2009.

ii) *Vic/P66 Permit Joint Venture – 17% Direct*

- Permit was awarded as to 17% to Company or nominee. To date no charges have been made by Operator as Joint Venture Agreement is still to be finalised,
- Net share of first year work program costs are estimated at circa \$35,000 to be paid during the 2009/2010 financial year.

iii) *Backreef Area – 80% Beneficial Rights*

On 31 October 2008, the Group was awarded 80% Beneficial entitlement to the Backreef Area as settlement of the Oil Basins Limited vs Arc Energy Ltd legal dispute. The Group previously had formal rights to 35% and an option to increase to 50%.

The key terms of the Backreef Agreement are:

- OBL and Backreef will together earn a 100% beneficial interest in the Backreef Area if they drill the Backreef 1 well by 31 October 2010 – each funding their net share of costs.
- OBL will hold 80% and Backreef will hold 20% of the Backreef Area.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

11. PETROLEUM EXPLORATION
EXPENDITURE (CONT'D)

- OBL or Backreef will operate the Backreef Area (in so far as this satisfies the WA Department of Mines and Petroleum [DMP] requirements) and will be responsible for all approvals and operational matters, including the drilling of the Backreef 1 well and dealing with DMP. OBL and Backreef will fully indemnify titleholder Buru Energy Limited [BRU] against OBL's or Backreef's performance as operator.
- If the Backreef 1 well is a discovery, OBL and Backreef will together earn a 100% interest in a separate production licence that will cover that part of the Backreef Area that contains the discovery, subject to regulatory approval of the licence. Subject to the approval of the DMP, OBL will hold 80% and Backreef will hold 20% of the production licence.
- If the Backreef 1 well is drilled but is not a discovery, then OBL and Backreef will still earn a 100% beneficial interest in the Backreef Area in the proportions set out above. OBL and Backreef will hold their interest in the Backreef Area subject to the drilling of an additional well in the Backreef Area by 31 October 2012 or until L6 and EP129 are relinquished by BRU. However, if BRU intends to relinquish either of L6 or EP129 then BRU must give Backreef and OBL 60 days notice of first refusal over the relinquishment. While OBL and Backreef hold their interest in the Backreef Area they may drill additional wells in the Backreef Area after the Backreef 1 well. To the extent any one of these additional wells is a discovery then OBL and Backreef will earn 100% of the resulting production licence.
- If the Backreef 1 well is not drilled by 31 October 2010 the Backreef Agreement will terminate and OBL and Backreef will lose their right to earn any interest in the Backreef Area.
- BRU has a right to earn a 30% interest in the Backreef Area by paying 90% of the costs of the Backreef 1 well, within 90 days of the drilling of the Backreef 1 well, in which case BRU will hold 30% of the production licence."
- Apart from preparing an Independent Expert Geologist Report for a net cost of \$12,500 (Prorata Backreef Area), there was no planning or well expenditures occurred by the Group during 2009.

iv) DR9 – Emika – 20% Rights

During the year the terms of the Farmin agreement to attain the formal rights to 20% of the DR9 Joint Venture was effectively rolled over by the Operator until 30 June 2009.

- During the year the Operator completed PSTM and PSDM analysis of the vintage 2D seismic lines, with the Company's share of expenditure funded by the original \$32,000 non-refundable deposit paid during the prior year.
- Apart from preparing an Independent Expert Geologist Report for a net cost of \$12,500 (prorata DR9), there was no planning or well expenditures occurred by the Group during 2009.

v) 5/07-8 EP – 50% Direct

The Company holds a 50% interest in this permit.

- No expenditures occurred during 2009.
- Exploration expenditure are expected to occur during 2010 and that event is dependent upon the joint venture satisfactorily negotiating and concluding a Native Title Agreement with the Kimberley Land Council and other stakeholder agreements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

**11. PETROLEUM EXPLORATION
EXPENDITURE (CONT'D)**

vi) Retention Lease R3 (Cyrano) – 25% Direct

During the year ended 30 June 2008 the Company successfully acquired a 15% interest from Blackrock Oil and Gas Plc and subsequent to year end acquired a further 10% interest from Norwest Energy NL.

- Both transactions were completed 29 August 2008 (for an overall OBL cash expenditure of \$66,667 and issue of 833,333 new OBL ordinary shares) and were registered on title by the DMP in late January 2009.
- R3 term is for 15 years from 5 July 2006 with review after 5 years in 2011.
- R3 net expenditures for Year 3 work program was \$17,398 was received by the Operator on 13 August 2009.
- R3 is in good standing and minimum share of future 3 year work program obligations actually amount to net \$5,000 per year (plus share of Operator Tap Oil Limited's management costs) until 2011

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Current				
Trade Payables ⁽¹⁾	3,822	6,365	3,822	6,365
Sundry payables and accrued expenses	34,674	31,243	34,674	31,243
	38,496	37,608	38,496	37,608

⁽¹⁾ The average credit period on purchases is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	2009		2008	
	No.	\$	No.	\$
13. ISSUED CAPITAL				
99,292,768 fully paid ordinary shares (2008 : 33,883,774)	99,292,768	4,325,665	33,883,774	3,726,194

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to corporations law abolished the authorised capital and par value concept in relation to the Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

13. ISSUED CAPITAL (CONT'D)

	2009		2008	
	No.	\$	No.	\$
(a) Fully paid ordinary shares				
Balance at beginning of financial year	33,883,774	3,726,194	33,883,774	3,726,194
Issue of shares for acquisition of Licences	833,333	91,667	-	-
Placement of shares	5,000,000	50,000	-	-
Shares issued pursuant to Rights Issue	59,575,661	595,757	-	-
Less: Costs of capital raising	-	(137,953)	-	-
Balance at end of financial year	99,292,768	4,325,665	33,883,774	3,726,194

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Options

Options Series 1

Each option entitles the holder to subscribe for 1 ordinary share in Oil Basins Limited upon the payment of \$0.20 (20 cents). The options will lapse at 5.00pm (AEST) on 30 September 2009. The options are transferable. The options carry neither rights to dividends nor voting rights.

	2009	2008
	No.	No.
Balance at beginning of the financial year	33,719,991	33,719,991
Granted during the financial year	500,000	-
Exercised during the financial year	-	-
Lapsed during the financial year	-	-
Balance at end of the financial year	34,219,991	33,719,991

Options Series 2

Each option entitles the holder to subscribe for 1 ordinary share in Oil Basins Limited upon the payment of \$0.015 (1.5 cents). The options will lapse at 5.00pm (AEST) on 30 June 2012. The options are transferable. The options carry neither rights to dividends nor voting rights.

	2009	2008
	No.	No.
Balance at beginning of the financial year	-	-
Granted during the financial year	55,127,085	-
Exercised during the financial year	-	-
Lapsed during the financial year	-	-
Balance at end of the financial year	55,127,085	-

Directors Options

Options granted to Directors or their nominees are disclosed in the Remuneration Report contained within the Directors report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

14. OPTION RESERVE

Option Reserve

The Option Reserve records amounts recognised as expenses based on valuation of employee share options as required by AASB2.

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of financial year	594,014	594,014	594,014	594,014
Value of Options issued during the year ⁽¹⁾	69,000	-	69,000	-
Lapse of Options during the year	-	-	-	-
	663,014	594,014	663,014	594,014

⁽¹⁾ Details of option valuations are at Note 21.

15. DIVIDENDS

There have been no dividends paid or proposed in the 2008 or 2009 financial years.

16. COMMITMENTS FOR EXPENDITURE

Petroleum Exploration Commitments

Vic/P41 Joint Venture, Gippsland Basin – Legal Rights 12.5%

For the Company to earn full legal and beneficial participation rights Vic/P41, the Company will be required to make payments in accordance with the Farmin agreements.

All potential payments pursuant to the Farmin agreements in place at the date of this report are payable at the option of the Company and there are no obligations on the Company to make these payments.

Should the Company earn full participation rights the following minimum payments will be required prior to the drilling of an offshore exploration well by no later than 10 September, 2010:

Vic/P41 (5% from Moby Oil & Gas Ltd)	\$1,650,000
Vic/P41 (7.5% from Strategic Energy Resources Limited)	\$2,437,500

The Vic/P41 Permit is presently well over 6 months ahead of its work program obligations. In the interim, the Operator Bass Strait Oil Company Limited has applied for a swap of current Year 4 to Year 5 commitments, which if successful will see the obligation well deferred until 10 September 2011. If successful OBL's work program obligation throughout the remainder of the revised Year 4 work program 2009/2010 is estimated at a modest \$30,000.

Vic/P66 Joint Venture, Gippsland Basin – direct 17%

At the date of this report the Operator Bass Strait Oil Company Limited has yet to finalise and circulate a Joint Venture Agreement to enable work program billings to be sent to the Joint Venture.

This is expected to take place during the second half of calendar year 2009. Upon which time the Company estimates that its share of immediate joint venture payment obligations will amount to around \$35,000. A similar amount is estimated during calendar year 2010.

Backreef Area, Canning Basin – Beneficial Rights 80%

Following settlement of the legal dispute with ARC Energy Limited via the execution of the Backreef Area Settlement Agreement on 31 October 2008, the Group has successfully acquired formal beneficial rights to 80% of the Backreef Area (formerly the Blina Backreef Play Joint Venture Area). For the Company to successfully complete the Farm-in with ARC Energy, the Company must fund 80% of the drilling of the Backreef Prospect by no later than 31 October 2010.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

16. COMMITMENTS FOR EXPENDITURE (CONT'D)

The Company has the right but not the obligation to Farm-in on the Backreef Area and the right to assign its interests:

To earn an 80% beneficial interest of the Backreef Area the Company funds 80% of Backreef Prospect well at an estimated net cost of \$2,000,000*.

*Estimated net cost of drilling and completing the well (including contingency) on a cased and suspended basis is gross \$2.5 million by Operator Backreef Oil Limited (BOL) who has to fund the residual 20% amount.

Presently there is no obligation to drill Backreef Prospect during current calendar year 2009, Drilling of the Backreef well during the remainder of 2009 will be dependent upon the following conditions being satisfied:

- Availability of a suitable drilling rig,
- Approval of a suitable drilling program by all the stakeholders and authorities,
- Funding of the well by way of either direct Company funds or by way of partial farmout by the Company to Third Party Farminees or by way of an asset sale or structured funding arrangement.

As at 30 June 2008 the drilling program had not commenced but formal registration was secured during the second half year. The Company's 80% beneficial interest was formally assigned by Titleholder Buru Energy Limited in December 2008 and was formally registered by the WA Department of Mines and Petroleum (DMP) in late January 2009.

Drilling Reservation 9 (DR9), Canning Basin

Further to the Terms Sheet as executed on 31 March 2007, the original Heads of Agreement (**HoA**) permits the Company to have the exclusive right but not the obligation to acquire an undivided 20% interest in the above permit from Backreef Oil Ltd (**BOL**) upon demonstration of an ability to fund \$660,000 to the drilling of the Selene Prospect (renamed Emika Prospect) by no later than 30 June 2007.

Subsequent to the balance date, on 7 August 2009 by way of an exchange of letters the Company and BOL have agreed to a Conditional Farmin Proposal as follows (replacing the original HoA).

Agreed Farmin Terms – 53% direct interest

The Company and BOL agree that the Company or its nominee may earn a 53% interest in the DR 9 by funding the Emika-1 well at an estimated cost of \$2.5 million (drilling and completion including contingency). This agreement will lapse on 31 December 2009 if OBL or its nominee has not raised sufficient funds for the drilling of Emika-1, with sufficient funds being deemed to be the sum of \$2.5 million.

Specifically it is agreed that OBL or its nominee has exclusivity to Farmin to BOL's interests in Emika-1 on the above agreed Farmin Terms until 31 December 2009.

The Company has the right but not the obligation to Farm-in on the DR 9 permit under the above conditions (and in any event the Company will give its funding preference to the Backreef Area) and the right to assign/transfer its interests/obligations to its nominee.

On 17 August 2009, the Company announced it had entered into a series of conditional Heads of Agreement ('**HoA**') with joint venture partner Backreef Oil Limited ('**BOL**') which may lead to early drilling of both the Backreef Prospect, Backreef Area and the Emika Prospect, Drilling Reservation 9 ('**DR9**'), Canning Basin.

As part of this restructuring, the OBL Group attained exclusive rights from BOL to obtain a further 10% beneficial interest right in the Backreef Area and to Farm-in to DR9 for up to 53%.

OBL has via back-to back HoAs (which have also been executed by BOL) now conditionally assigned these rights to its wholly owned subsidiary Canning Basin Oil Limited ('**CBO**') – formerly OBL Backreef No.15 Pty Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

16. COMMITMENTS FOR EXPENDITURE (CONT'D)

CBO has now effectively obtained exclusive and conditional rights to Farm-in as to 25% beneficial interest right in the Backreef Area and Farm-in as to 25% in DR9, with the priority being the Backreef Area Farm-in presently controlled by OBL.

Summary of New Agreements

The principal points of these new commercial HoA arrangements are summarised as follows:

- 1) A conditional HoA has been executed between OBL and CBO with respect to the assignment and funding of OBL's interests in both the Backreef Area and Drilling Reservation 9.
 - Via this conditional agreement, subject to a confirmation of \$3.5 million funding by CBO, CBO has the right to Farm-in to attain 25% of the Backreef Area by funding 100% of Backreef-1 (*drilled to 1500m TD and should a discovery eventuate, the well to be cased and suspended*).
 - In the event of a discovery OBL agrees to carry CBO at 25% for one additional appraisal well in the Backreef Area to both drilling and completion excluding capital costs associated with surface equipment and gathering pipelines.
 - Via this conditional agreement, subject to a confirmation of \$6.0 million funding by CBO, CBO has the additional right to Farm-in to attain 25% of Drilling Reservation 9 by funding 100% of Emika-1 (*drilled to 1500m TD and should a discovery eventuate, the well to be cased and suspended*).
 - In the event of a discovery OBL agrees to carry CBO at 25% for one additional appraisal well in Drilling Reservation 9 to both drilling and completion excluding capital costs associated with surface equipment and gathering pipelines.
- 2) Conditional 'back-to-back' HoA agreements have now been executed between OBL, CBO and BOL covering the Backreef Area whereby CBO agrees to fund 100% of Backreef-1 to earn 25% beneficial interest and carry OBL as to 65% and BOL as to 10%, subject to a minimum funding of \$3.0 million and BOL procuring/contracting a suitable rig to drill and complete Backreef-1 (*drilled to 1500m TD and should a discovery eventuate, the well to be cased and suspended*).
 - Conditional HoA becomes immediately effective as soon as CBO confirms funding of \$3.0 million.
 - This conditional Backreef Area Farm-in lapses if the funding is not attained prior to 31 December 2009, but may be extended by BOL.
- 3) Similarly, conditional 'back-to-back' HoA agreements have now been executed between OBL, CBO and BOL covering Drilling Reservation 9 whereby CBO agrees to fund 100% of Emika-1 to earn 25% direct interest (upon completion) and carry OBL as to 28% and BOL as to 47%, subject to a minimum funding of \$6.0 million and BOL procuring/contracting a suitable rig to drill and complete Emika-1 (*drilled to 1500m TD and should a discovery eventuate, the well to be cased and suspended*).
 - Conditional HoA becomes immediately effective as soon as CBO confirms funding of \$6.0 million.
 - This conditional DR9 Farm-in lapses if the funding is not attained prior to 31 December 2009, but may be extended by BOL.
- 4) All these HoAs are highly conditional upon funding and a suitable rig being secured.
- 5) OBL itself, having entered into the back-to-back agreements with BOL and CBO, retains the right but not the obligation to Farm-in during this exclusive funding period.
- 6) Should the conditional HoAs be fully satisfied, and formal Farm-in Agreements executed, all relevant stakeholders will be then formally advised and the dealings will then be immediately registered.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

16. COMMITMENTS FOR EXPENDITURE (CONT'D)

- 7) Should the CBO funding not be possible, no restructuring specifically with CBO will have deemed to have been effected.
- 8) BOL, as Operator for both wells, has formally advised OBL that they have successfully identified a suitable drilling rig on a cased and suspended cost of \$2.5 million per well (based upon current known input costs and on an estimated 12 day dry hole basis and including a contingency of \$140,000 and mobilisation/demobilisation costs and the rig-move) should a two well campaign be agreed.
- 9) Investors should note that timing of the campaign is subject to the farmin and/or funding being finalised during September so to enable sufficient time for necessary approvals and all stakeholder consents and adequate planning for a latest possible commencement of the start of drilling operations by mid-October without running the risk that drilling might have to be suspended or abandoned due to the commencement of the wet season.

Impact of these Agreements upon OBL

(a) Increase in potential stakes:

- OBL Group has increased its potential interest in the Backreef Area to 90%, and
- OBL Group has increased its potential interest in DR9 to 53%

(b) Increased flexibility in possible funding arrangements:

By these new commercial agreements, OBL has effectively now engineered three ways of funding Backreef-1 and this flexibility has now been extended to Emika-1. The three ways are:

- Secure a conventional farmout to a third party for direct interests in either prospect;
- Sale of 100% of the shares in CBO (with Farm-ins as described above); and
- CBO raises the necessary funding itself (with Farm-ins as described above).

5/07-8 EP, Canning Basin – 50% direct interest

On 19 December 2007, the Company announced to the ASX that it and its 50/50 Joint Venture Partner Backreef Oil Limited (**BOL**) were notified by the DMP of success in applying for the attractive permit Application Area L07-1 (to be awarded as 5/07-8 EP).

The DMP has been formally notified by the Operator BOL on behalf of the Joint Venture that it wishes to proceed and commence negotiations on the Native Title Claim on the application area.

This is expected to take some time (originally estimated by BOL up to 24 months) to conclude with the Kimberley Land Council and no significant expenditures are anticipated to occur until approval from all relevant stakeholders and authorities are attained.

Retention Lease 3 (RL3), Carnarvon Basin – 25% interest

The Company's 25% interest was formally assigned by Joint Venture partners in September 2008 and was formally registered by the WA Department of Mines and Petroleum (**DMP**) in late January 2009.

The present work program obligations amount to a gross \$20,000 of geological and geophysical studies per annum (Company obligations are therefore modest with a net \$5,000 per annum plus 25% of Operators expenses).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

17. SEGMENT INFORMATION

The Group operates within one industry segment and one geographical segment.

The Group operates in the area of investment in oil and gas exploration, production and development within Australia.

18. RELATED PARTY DISCLOSURES

Key Management Personnel Compensation

Details of key management compensation are disclosed in the Remuneration Report.

Transactions with Key Management Personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

- (i) Menzies & Partners, an entity of which Mr Graeme Menzies is the sole principal, provided legal services to the Company. During the year the Company paid \$15,349 (2008:\$Nil) in relation to legal services provided for the preparation and issue of the Prospectus.
- (ii) Patersons Securities Ltd, an associate entity of Mr Neil Doyle, received an underwriting fee of \$65,573 (2008:\$Nil) in relation to the capital raising during the year.

Consolidated		Parent	
2009	2008	2009	2008
\$	\$	\$	\$

19. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

cash and cash equivalents	301,519	505,067	301,219	504,767
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(b) Financing Facilities

The Company has no financing facilities in place at 30 June 2009

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

19. NOTES TO THE STATEMENT OF CASH FLOWS (CONT'D)

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
(c) Reconciliation of Net Loss from ordinary activities after related income tax to net cash flows from operating activities				
Loss after income tax	(660,488)	(359,638)	(660,488)	(359,638)
Depreciation	789	394	789	394
Share based payments expense	69,000	-	69,000	-
Changes in net assets and liabilities:				
(Increase)/Decrease in assets:				
Current receivables	(12,958)	16,566	(12,958)	16,566
Increase/(Decrease) in liabilities:				
Current payables	888	(50,295)	888	(50,295)
Net cash used in operating activities	(602,769)	(392,973)	(602,769)	(392,973)

(d) Non-cash financing and investing activities

During the current financial year, the Consolidated entity issued 833,333 shares at an issue price of \$0.11 for the acquisition of 25% interest in Retention Lease 3 (RL3), Carnarvon Basin, the acquisition is not reflected in the cash flow statement. Details of this acquisition are included in Note 11 and Note 13(a).

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise cash and cash equivalents.

The main purpose of these financial instruments is to finance the consolidated entity's operations. The consolidated entity has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the consolidated entity's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk. Other minor risks are summarised below. The board reviews and agrees policies for managing each of these risks.

(a) Cash flow interest rate risk

The consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the consolidated entity's short-term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the parent entity and consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis. The consolidated entity has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Consolidated Entity

	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity			
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets											
Cash at bank	19	301,219	504,767	300	300	301,519	505,067	(7,093)	(4,672)	7,093	4,672
Trade and other Receivables	8	-	-	26,396	13,438	26,396	13,438	-	-	-	-
Total		301,219	504,767	26,696	13,738	327,915	518,505	(7,093)	(4,672)	7,093	4,672
Weighted average interest rate		4.40%	6.12%								
Financial Liabilities											
Trade and other payables	12	-	-	38,496	37,608	38,496	37,608	-	-	-	-
Total		-	-	38,496	37,608	38,496	37,608	-	-	-	-
Weighted average interest rate		-	-								
Net Financial assets (liabilities)		301,219	504,767	(11,800)	(23,870)	289,419	480,897	(7,093)	(4,672)	7,093	4,672

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Parent Entity

	Note	Float Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity			
		2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets											
Cash at bank	19	301,219	504,767	-	-	301,219	504,767	(7,093)	(4,672)	7,093	4,672
Trade and other Receivables	8	-	-	26,396	13,438	26,396	13,438	-	-	-	-
Investment in subsidiaries		-	-	300	300	300	300	-	-	-	-
Loans to subsidiaries		-	-	66,425	62,620	66,425	62,620	-	-	-	-
Total		301,219	504,767	93,121	76,358	394,340	581,125	(7,093)	(4,672)	7,093	4,672
Weighted average interest rate		4.40%	6.12%								
Financial Liabilities											
Trade and other payables	12	-	-	38,496	37,608	38,496	37,608	-	-	-	-
Total		-	-	38,496	37,608	38,496	37,608	-	-	-	-
Weighted average interest rate		-	-								
Net Financial assets (liabilities)											
Net Financial assets (liabilities)		301,219	504,767	54,625	38,750	355,844	543,517	(7,093)	(4,672)	7,093	4,672

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

A sensitivity of 40% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 40% sensitivity would move short term interest rates at 30 June 2009 from 4.40% to 6.16% representing a 176 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

(b) Liquidity risk

The consolidated entity manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows.

Financial Assets

The following tables detail the Company's and the Groups expected maturity for its non-derivative financial assets.

	2009	2008	2009	2008
Contracted maturities of receivables and cash and cash equivalents	\$	\$	\$	\$
- less than 6 months	327,915	518,505	327,615	518,205
- 6 to 12 months	-	-	-	-
- 1 to 5 years	-	-	66,725	62,920
- later than 5 years	-	-	-	-
Total	327,915	518,505	394,340	581,125

Financial Liabilities

The following tables the Company's and the Groups remaining contractual maturity for its non-derivative financial liabilities.

	2009	2008	2009	2008
Contracted maturities of payables year ended 30 June 2009:	\$	\$	\$	\$
Payable:				
- less than 6 months	38,496	37,608	38,496	37,608
- 6 to 12 months	-	-	-	-
- 1 to 5 years	-	-	-	-
- later than 5 years	-	-	-	-
Total	38,496	37,608	38,496	37,608

(c) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity's foreign transactions are immaterial and it is not exposed to foreign currency risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The consolidated entity has no financial assets where carrying amount exceeds net fair values at balance date.

The consolidated entity's receivables at balance date are detailed in Note 8 and comprise primarily GST input tax credits refundable by the ATO. The balance of receivables comprises amounts receivable from related parties and prepayments.

The credit risk on financial assets of the economic entity which have been recognised on the Balance Sheet is generally the carrying amount.

(e) Capital Risk Management

When managing capital, management's objectives is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholder, issue new shares, enter into joint ventures or sell shares.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2009 and no dividends are expected to be paid in 2010.

There is no current intention to incur debt funding on behalf of the Company as on-going petroleum exploration expenditure will be funded via equity or joint ventures with other companies.

The consolidated entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

21. SHARE BASED PAYMENTS

During the year the following share based payments were made to Directors and Senior Management:

Series 1

	Number of Options granted	Grant Date	Exercise Price of Options \$	Expiry Date of Options	Value per option	Total Valuation
Ms M Leydin	250,000	29/08/2008	0.20	30/09/2009	0.012	3,000
Mr G Geary	250,000	29/08/2008	0.20	30/09/2009	0.012	3,000

The above options granted as part of remuneration have been valued using the Black-Scholes-Merton option pricing model. The value of the options issued as at grant date were independently valued at 1.2 cents per option. The assumptions used in this valuation are set out below.

Series 2

	Number of Options granted	Grant Date	Exercise Price of Options \$	Expiry Date of Options	Value per option	Total Valuation
Mr K McGrath	4,000,000	30/04/2009	0.015	30/06/2012	0.0063	25,200
Mr N Doyle	4,000,000	30/04/2009	0.015	30/06/2012	0.0063	25,200
Mr G Menzies	1,000,000	30/04/2009	0.015	30/06/2012	0.0063	6,300
Ms M Leydin	500,000	30/04/2009	0.015	30/06/2012	0.0063	3,150
Mr G Geary	500,000	30/04/2009	0.015	30/06/2012	0.0063	3,150

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

21. SHARE BASED PAYMENTS (CONT'D)

The above options granted as part of remuneration have been valued using the Black-Scholes-Merton option pricing model. The value of the options at grant date were independently valued at 0.63 cents per option. The assumptions used in this valuation are set out below.

The assumptions used in valuing the above series of options are as follows:

	Series 1	Series 2
Exercise Price	\$ 0.20	\$ 0.015
Underlying Share Price	\$ 0.11	\$ 0.13
Share price volatility	70%	75%
Term	1.09 years	3.17 years
Risk free interest rate	5.905%	3.440%

22. EARNINGS PER SHARE

	2009 Cents Per Share	2008 Cents Per Share
Basic earnings (loss) per share	<u>(1.51)</u>	<u>(1.06)</u>
Diluted earnings (loss) per share	<u>(1.51)</u>	<u>(1.06)</u>

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows

Earnings (i)	<u>(660,488)</u>	<u>(359,638)</u>
	2009 No	2008 No
Weighted average number of ordinary shares (ii)	<u>43,745,140</u>	<u>33,883,774</u>
(i) Earnings are the same as profit after tax in the income statement.		
(ii) In addition, the following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of shares, used in the calculation of diluted earnings per share.	<u>84,810,339</u>	<u>33,719,991</u>

Diluted Earnings Per Share

The rights of options held by option holders were not included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they did not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights of options were non-dilutive as the exercise price was significantly higher than the Company's share price as at 30 June 2009.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

23. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest	
		2009 %	2008 %
Parent Entity Oil Basins Limited	Australia		
Subsidiaries			
OBL Back Reef No.5 Pty Ltd	Australia	100	100
OBL Back Reef No.10 Pty Ltd	Australia	100	100
Canning Basin Oil Limited ⁽¹⁾ (formerly OBL Back Reef No.15 Pty Ltd)	Australia	100	100

⁽¹⁾ On 2 July 2009 the Company changed its name to Canning Basin Oil Limited and also changed its status from that of a private Company to a public Company.

24. EVENTS AFTER THE BALANCE SHEET DATE

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, other than:

- On 17 August 2009, the Company announced it had entered into a series of conditional Heads of Agreement ('**HoA**') with joint venture partner Backreef Oil Limited ('**BOL**') which may lead to early drilling of both the Backreef Prospect, Backreef Area and the Emika Prospect, Drilling Reservation 9 ('**DR9**'), Canning Basin.
- As part of this restructuring, the OBL Group attained exclusive rights from BOL to obtain a further 10% beneficial interest right in the Backreef Area and to Farm-in to DR9 for up to 53%.
- On 17 September 2009, the Company announced a proposed funding offer of a two well Basin drilling campaign through one of its subsidiaries, Canning Basin Oil Limited. The offer is for up to 5,950,000 redeemable preference shares (to be known as Backreef OilCans) at an issue price of \$1.00 (100 cents) each only to applicants who are sophisticated investors under section 708(10) of the Corporations Act 2001 (Cth). The issue proposes raising a minimum of \$3,000,000 up to a maximum of \$5,950,000. All assignments of interest to CBO are subject to the normal regulatory and stakeholder consents.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 1 September 2009.

1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding.

Category of holding	Total Holders	Number of Shares	% of Capital
1 - 1,000	244	80,979	0.08%
1,001 - 5,000	148	317,302	0.32%
5,001 - 10,000	101	920,841	0.93%
10,001 - 100,000	220	9,350,216	9.42%
100,001 and over	136	88,623,430	89.25%
Total	849	99,292,768	100.00%

(b) There are 526 shareholders with less than a marketable parcel of ordinary shares.

2. Twenty Largest Shareholders

The names of the twenty largest holders by account holding of ordinary shares are listed below:

SHAREHOLDER	HOLDING	%
Cheetah Holdings Pty Ltd	4,963,943	5.00%
Cleo Holdings Pty Ltd	4,250,000	4.28%
Mr N Doyle & Ms L Materano <Intrepid Super Fund A/C>	2,980,720	3.00%
Toltec Holdings Pty Ltd	2,767,052	2.79%
Cornela Pty Ltd <F T A/C>	2,634,805	2.65%
Jasper Hill Resources Pty Ltd <Super Fund A/C>	2,491,530	2.51%
Jasper Hill Resources Pty Ltd <T A/C>	2,221,892	2.24%
Avatar Equities Pty Ltd <Avatar Share Trading A/C>	2,205,772	2.22%
Mr Neil Francis Doyle	2,000,000	2.01%
Dr S Cassim	2,000,000	2.01%
SCE Superannuation Pty Ltd	2,000,000	2.01%
Uniteam Marketing Limited	2,000,000	2.01%
Surfboard Pty Ltd <ARW Super Fund No. 1 A/C>	1,965,429	1.98%
T T Nicholls Pty Ltd < Superannuation A/C>	1,875,000	1.89%
Jogwen Pty Ltd	1,830,883	1.84%
Strategic Energy Resources Limited	1,778,787	1.79%
Brentine Nominees Pty Ltd <Super Fund A/C>	1,600,000	1.61%
Finance Associates Pty Ltd <Super Fund A/C>	1,550,000	1.56%
Delta Corporate Finance Pty Limited	1,336,619	1.35%
Nefco Nominees Pty Ltd	1,330,000	1.34%
TOTAL	45,782,432	46.11%

SHARHOLDER INFORMATION (CONT'D)

3. Twenty Largest Option holders

The names of the twenty largest \$0.20 option holders expiring 30 September 2009 (OBLO Options) by account holding of listed options are listed below:

OPTION HOLDER	HOLDING	%
Mr Neil Francis Doyle	3,000,000	8.83%
Uniteam Marketing Limited	3,000,000	8.83%
INXS Pty Ltd	2,700,000	7.95%
Finance Associates Pty Ltd <Super Fund A/C>	1,638,562	4.82%
Mr M A Muzzin & Mrs C A Muzzin	1,465,793	4.31%
World Power Pty Ltd	1,066,667	3.14%
Strategic Energy Resources Limited	1,001,591	2.95%
Peter G Hinneberg	1,000,000	2.94%
Thirty Seventh Vilmar Pty Ltd <AD Fisher Personal S/F A/C>	1,000,000	2.94%
Brentine Nominees Pty Ltd	900,000	2.65%
Mr Neil Francis Doyle & Ms Lisa Materano <Intrepid Super Fund A/C>	533,333	1.57%
Mr Keith William Shepard <Shepard Family A/C>	533,333	1.57%
Talex Investments Pty Ltd	533,333	1.57%
Grayne Nominees Pty Ltd <AccMenzies Superfund A/C>	500,000	1.47%
Jacobs Corporation Pty Ltd	500,000	1.47%
Graeme Alan Menzies	500,000	1.47%
Thirty Eighth Vilmar Pty Ltd <The PJF Super Fund A/C>	450,000	1.32%
Mr Grant Raymond Dinse	425,000	1.25%
PBL Investments Pty Ltd	400,000	1.18%
Mr L J Goldbloom & Mrs Y R Goldbloom <Maros Super Fund A/C>	372,976	1.10%
TOTAL	21,520,588	63.35%

As at the date of this report no OBLO options were exercised.

The names of the twenty largest \$0.015 option holders expiring 30 June 2012 (OBLOA) by account holding of listed options are listed below:

OPTION HOLDER	HOLDING	%
Azure Capital Investments	10,000,000	18.14%
Delta Corporate Finance Pty Limited	4,437,206	8.05%
Mr Neil Francis Doyle	4,000,000	7.26%
Cheetah Holdings Pty Ltd	2,836,601	5.15%
Cornela Pty Ltd <F T A/C>	2,136,601	3.88%
Colbern Fiduciary Nominees Pty Ltd	1,938,758	3.52%
Jasper Hill Resources Pty Ltd <Super Fund A/C>	1,919,306	3.48%
Jasper Hill Resources Pty Ltd <T A/C>	1,835,832	3.33%
Dr R J Banyard & Mr P S Holten <R Banyard Super Fund A/C>	1,826,961	3.31%
Jogwen Pty Ltd	1,760,294	3.19%
SCE Superannuation Pty Ltd	1,666,666	3.02%
Dr S Cassim	1,633,333	2.96%
Cleo Holdings Pty Ltd	1,633,333	2.96%
Surfboard Pty Ltd <ARW Super Fund No. 1 A/C>	1,633,333	2.96%
Mr Michael Frank Manford <Alto Super Fund A/C>	1,235,948	2.24%
T T Nicholls Pty Ltd <Superannuation A/C>	1,041,666	1.89%
Mr Grant Raymond Dinse	1,035,948	1.88%
Lourmarin Pty Ltd <Graeme & Shayne S/F A/C>	1,000,000	1.81%
Mr Aziz Hussain	933,333	1.69%
ACP Investments Pty Ltd	833,333	1.51%
TOTAL	45,338,452	82.24%

SHARHOLDER INFORMATION (CONT'D)

4. Restricted Securities

As at 1 September 2009, the Company had no securities subject to escrow arrangement:

5. Substantial Shareholders

As at 1 September 2009, the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
Mr N Doyle	5,500,000	5.54%

6. Voting Rights

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.

CORPORATE GOVERNANCE STATEMENT

The Directors of Oil Basins Limited believe firmly that benefits will flow from the maintenance of the highest possible standards of corporate governance. A description of the Company's main corporate governance practices is set out below. The Company has elected to early adopt the 2nd Edition of the "Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council" issued by the ASX Corporate Governance Council in August 2007.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The board has adopted a formal charter setting out the responsibilities of the board. This charter can be accessed at www.oilbasins.com.au . Any functions not reserved for the board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.	Not applicable
1.2	Disclose the process for evaluating the performance of senior executives.	The board meets annually to review the performance of executives. The senior executives' performance is assessed against the performance of the Company as a whole.	Not applicable
1.3	Provide the information indicated in the Guide to reporting on Principal 1.	A performance evaluation has been completed during the reporting period in accordance with the process detailed in 1.2 above.	Not applicable
2.1	A majority of the board should be independent of Directors.	A definition of Director independence can be accessed at www.oilbasins.com.au . Currently Oil Basins Limited has one independent Director and two non independent Directors.	Due to the Company's size and it's specialised operations, the Board considers that a majority of Independent Directors is not currently warranted. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to conformity with this recommendation. The Board recognises that Directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or otherwise.
2.2	The chair should be an independent Director.	The Chairman, Mr Kim McGrath, is non independent.	The Chairman, Mr McGrath is not an independent Director as he is a substantial shareholder. Whilst the Board recognises that it is desirable for the Chairman to be an independent Director, the Company's current stage of development and size dictate that this is the most efficient

			mode of operation at the current time. The Board will review the appointment of an Independent Chairman should the Company's size and growth warrant this. Not applicable
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	Oil Basins Limited does not have a Chief Executive Officer as all Directors are non-executive.	
2.4	The board should establish a nomination committee.	The board does not have a nomination committee.	It is not a Company policy to have a nomination committee, given the size and scale of Oil Basins Limited. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new Directors, on an informal basis. The board's policy for the appointment of new Directors to the board can be accessed at www.oilbasins.com.au .
2.5	Disclose the process for evaluating the performance of the board, its committee and individual Directors.	The performance evaluation of board members occurs by way of an informal review by the full board (in the absence of the relevant board member)	Not applicable.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise relevant to the position held by each Director is disclosed in the Directors' Report which forms part of the Annual Report. The name of the Independent Directors are disclosed above. The Directors are entitled to take independent professional advice at the expense of the Company. The period of office held by each Director is disclosed in the Directors' Report which forms part of this Annual Report.	Not applicable
3.1	Establish a code of conduct and disclose the code for a summary of the code as to: - the practice necessary to maintain confidence in the Company's integrity; - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company has adopted a board Code of Conduct and a Company Code of Conduct, both of which can be accessed at www.oilbasins.com.au .	Not applicable

3.2	Establish a policy concerning trading in Company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Company has adopted a Trading Policy which can be accessed at www.oilbasins.com.au .	Not applicable.
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	The information has been disclosed in the Annual Report.	Not applicable.
4.1	The board should establish an audit committee.	The Company has an established an Audit Committee.	Not applicable.
4.2	The audit committee should be structured so that it: consists only of non-executive Directors; - consists of a majority of independent Directors; - is chaired by an independent chair, who is not chair of the board; - has at least three members	The Audit Committee has two members, consisting of the independent Directors, Mr Neil Doyle and Mr Kim McGrath. The Audit Committee is chaired by Mr Neil Doyle.	Not applicable.
4.3	The audit committee should have a formal charter.	The formal charter can be accessed at www.oilbasins.com.au .	Not applicable.
4.4	Provide the information in the Guide to reporting on Principle 4.	The names of the members of the Audit Committee are disclosed above. The qualifications of the members of the Audit Committee are disclosed in the Directors' Report which forms part of this Annual Report. The audit committee will meet twice in each year, before sign off of the annual and half year financial statements. The external auditor, Deloitte Touche Tohmatsu, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years.	Not applicable.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Disclosure Policy which can be accessed at www.oilbasins.com.au .	Not applicable.
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information has been disclosed in the Annual Report.	Not applicable.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy	The Company has adopted a Shareholder Communications Policy which can be accessed at www.oilbasins.com.au .	Not applicable.

	or a summary of that policy		
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report	Not applicable.
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Company has adopted Risk Management Policy which can be accessed at www.oilbasins.com.au . This policy outlines the material risks face by the Company as identified by the board. Given the size and scale of Oil Basins Limited it does not have a Risk sub-committee or Internal Audit function.	Not applicable.
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the Company's activities. The board informally reviews and requests management to report on risk management and internal control.	Management has not formally reported to the board as to the effectiveness of the Company's management of its material business risks. Given the nature and size of the Company and the board's ultimate responsibility to manage the risks of the Company this is not considered critical. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The board receives assurance from Mr Neil Doyle and the chief financial officer in the form of a declaration, prior to approving financial statement.	Not applicable.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	Not applicable.
8.1	The board should establish a remuneration committee.	The Company does not have an established remuneration committee.	It is not a Company policy to have a remuneration committee, given the size and scale of Oil Basins Limited. The role of a remuneration committee is carried out by the

			full board.
8.2	Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	The structure of non-executive Directors' remuneration is clearly distinguished from that of executive Directors and senior executives, as described in the Directors' Report which forms part of this Annual Report.	Not applicable.
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	Not applicable.