

Canning Basin Oil Limited A Unique Hi-Octane Investment Opportunity

- The Offer is in respect of the issue of up to 5,950,000 redeemable preference shares to be known as “**Backreef OilCans**” at a price of \$1.00 per share raising \$5,950,000.00 for Canning Basin Oil Limited (“**CBO**” or the “**Company**”) with a **Minimum Subscription of \$10,000.00** or 10,000 Backreef OilCans.
- The **Minimum Capital Raising is \$3,000,000.00**, or 3,000,000 Backreef OilCans and the **Basic Capital Raising is \$3,450,000.00**, or 3,450,000 Backreef OilCans, as both are adequate to drill and complete the Backreef-1 well prospect in the Backreef Area and for CBO to earn a direct 25% beneficial interest in the Backreef-1 well.
- Specifically, should the **Maximum Capital Raising of \$5,950,000.00** be achieved, this will enable the funding of the Company’s two well exploration program in the Canning Basin thereby completing the conditional farmin to both permit areas via the drilling of both the Backreef-1 well in the Backreef Area and the drilling of the Emika-1 well in Drilling Reservation 9, respectively.
- The nature of the Backreef OilCans is unique in that upon drilling success defined by a commercial discovery they will be immediately entitled to a net profit interest (“**NPI**”) for each or both of the Backreef-1 and Emika-1 well prospects and immediately attract and accrue net production cashflow from the commercial success directly from these wells.
- Firstly the **Backreef Prospect** is potentially a large ‘**new stratigraphic play type**’ contained within a prognosed submarine channel wholly within the defined Kimberley Downs Embayment geological feature. Importantly this new play has never before been drilled within the Canning Basin and, if successful, the Backreef-1 well has exceptional leverage with the production-value orientation derived from **Backreef OilCans**. The Independent Expert has compared this ‘new stratigraphic play type’ with the ‘East Texas Oil Pool’ discovered in 1929 which has produced more than 5 billion barrels to date.
- Secondly, the **Emika Prospect** is a robust conventional 4-way dip closure and, if successful, the Emika-1 well offers investors significant leverage with the production-value orientation derived from **Backreef OilCans**.
- These innovative **Backreef OilCans** offer investors a direct **Net Profit Interest (NPI)** after allowable operating cost deductions including any netback royalties for producing saleable hydrocarbon products (as permitted in the WA Petroleum and Geothermal Act) and as legally attributable to third parties in these permits areas.
- Essentially **Backreef OilCans** effectively offer investors direct leverage upon commercial success to producing oil and/or gas, with modest overheads incurred in the operation of CBO, and having the distribution of any fully franked distributions made bi-annually.

Example of Indicative Value of Success at Backreef (only) & \$3.45M Raised
Assessed value (\$Million) of Discovered Oil in Ground – Modest Assumption: A\$5.00/bbl

INVESTOR'S APPLICATION <u>CASE 1.</u> [BASIC RAISING \$3.45M] Dollars Subscribed.	INVESTOR'S POTENTIAL SHARE Effective Net % NPI <i>BACKREEF AREA</i> <i>"Backreef Oil Cans"</i>	INVESTOR'S POTENTIAL SHARE <i>Potential Value of a Discovery</i> *		
		<i>Low Case</i> \$M	<i>Medium Case</i> \$M	<i>High Case</i> \$M
\$10,000 MINIMUM.	0.071%	\$0.50	\$0.96	\$1.20
\$15,000	0.107%	\$0.76	\$1.45	\$1.81
\$20,000	0.143%	\$1.01	\$1.93	\$2.41
\$25,000	0.179%	\$1.26	\$2.41	\$3.01
\$30,000	0.214%	\$1.51	\$2.89	\$3.61
\$35,000	0.250%	\$1.76	\$3.38	\$4.21
\$50,000	0.357%	\$2.52	\$4.82	\$6.02
\$100,000	0.714%	\$5.04	\$9.64	\$12.04
\$250,000	1.786%	\$12.59	\$24.11	\$30.09
\$350,000	2.500%	\$17.63	\$33.75	\$42.13
\$500,000	3.571%	\$25.18	\$48.21	\$60.18
\$1,000,000	7.143%	\$50.36	\$96.43	\$120.36
\$3,500,000 MAXIMUM.	25.000%	\$176.25	\$337.50	\$421.25

* Valuation assumes A\$5.00/bbl
in ground pre-field development value

The direct leverage to CBO Preference Shareholders is potentially massive.

- In addition, Oil Basins Limited ("OBL") has agreed with the Company in the event of commercial success in either the drilling of Backreef-1 or Emika-1, or both, that OBL will free-carry CBO at 25% to completion for one additional well in the permit where the discovery is made.
- **Essentially, in the event of commercial success investors will participate in up to 4 wells (two in each permit area).**
- **Should each of these prospects as drilled be unsuccessful and no commercial discovery is declared by the relevant joint venture operator, then the Backreef OilCans will be immediately redeemed by the Company at a redemption value of \$0.001 (zero point one cent) for each Backreef OilCan – thereby permitting the investor to claim a capital write-off for an unsuccessful investment made pursuant to the Offer under this IM.**

- **Subject to the Maximum Capital Raising of the Offer, there are no maximum Applications as this Offer is specifically made only to sophisticated investors within section 708(8) or section 708(10) of the Corporations Act 2001 (Cth).**
- **No General Applications will be accepted.**

INDICATIVE KEY DATES

Opening of this Offer of up to \$5,950,000 or 5,950,000 Backreef OilBasins (Minimum Capital Raising \$3,000,000 or 3,000,000 Backreef OilCans)	21 September 2009
Closing of Offer – 5.00 pm AEST	5 October 2009
Allotment and Issue of Transaction Confirmation Statements for new Backreef OilCans	6 October 2009
Completion of Conditional Farm-Ins from Oil Basins Limited	6 October 2009
Finalisation of preparations for Drilling Work Program to be completed	Mid-October 2009
Commencement of Canning Basin Drilling Program (Subject to permit stakeholder approvals, rig availability and wet season)	Late-October 2009 or early April 2010

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