

19 October 2010

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SALE OF 75% INTEREST IN RETENTION LEASE R3

Tap Oil Limited (ASX: TAP) is pleased to advise that it has agreed to sell its 75% interest in the R3 Retention Lease in the offshore Carnarvon Basin, Western Australia to Oil Basins Limited (OBL). The terms of the transaction are set out in the Oil Basins Limited ASX Release attached.

Tap's Managing Director Mr Stickland said the R3 lease, which contains the stranded Cyrano field, is not a key focus for Tap and hence is more valuable in the hands of Oil Basins who have a strategy more suited to this style of asset. The divestment of assets such as R3 enables Tap to stay focused on executing its current high impact exploration program and capturing additional material opportunities.

***Attachment: Oil Basins Limited ASX Release*

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Dear Sirs

***OIL BASINS ACQUIRES A FURTHER 75% INTEREST IN RETENTION LEASE R3,
OFFSHORE CARNARVON BASIN, CONTAINING THE CYRANO OIL DISCOVERY***

The following announcement is made by Oil Basins Limited (**OBL** or the **Company**, ASX codes **OBL**, **OBLOA** and **OBLOB**) so as to keep the market fully informed.

On 18 October 2010 the Company and Tap Oil Limited (ASX code **TAP**) executed a sale and purchase agreement whereby OBL acquires the 75% remaining interest in Retention Lease R3 that OBL doesn't presently own. The area of R3 is one graticular block and contains the small undeveloped Cyrano offshore discovery in 16m of water, refer to Figure 1.

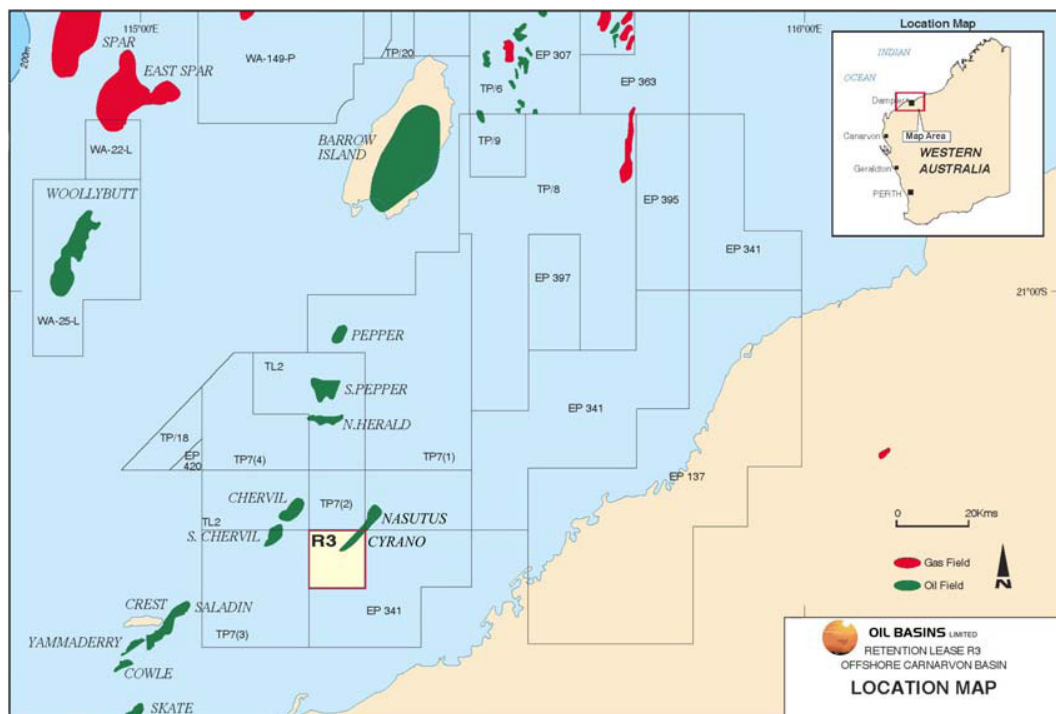


Figure 1
Oil Basins Carnarvon Basin Retention Lease R3 Interest

The attributes of R3 and terms of the transaction with TAP are summarised as follows:

- The R3 asset containing the Cyrano discovery has 3D seismic, two discovery wells and two exploration wells to date. Cyrano is estimated to contain circa 4.36 MMbbls Oil in Place and some 1.45 MMbbls estimated 2P (equivalent) and an estimated 0.92 MMbbls recoverable 1P

reserves and is presently considered uneconomic as a stand-alone development by the R3 Joint Venture. An indicative production profile scenario is illustrated in Figure 2.

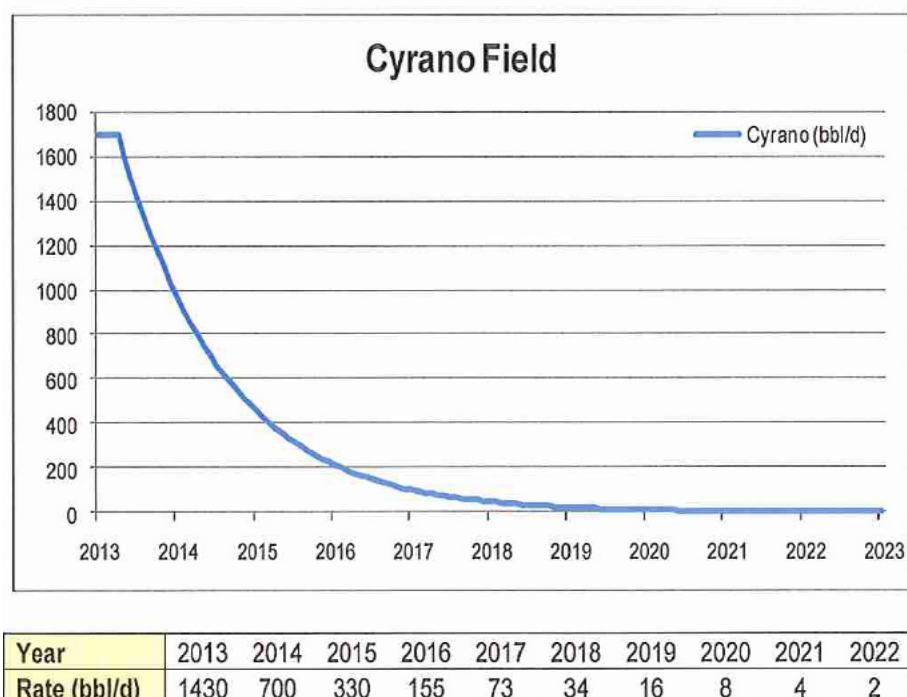


Figure 2
Cyrano Production Profile – source R3 Operator Data

- However, the proximity of Airlie Island provides some possibility that, if Airlie Island is brought back into service, there is a chance of future development of Cyrano – possibly tied back to that facility.
- The transaction consideration to TAP comprises a cash payment of AUD300,000 and the issue of 2.0 million new unrestricted OBL ordinary shares.
- Effectively OBL will be paying TAP notionally 58 cents/bbl of recoverable IP oil or approximately 37 cents/bbl per 2P.
- Presently only the 10% WA Royalty applies on development and prior Joint Venture costs to date amount to circa \$11 million.
- Currently the approved WA Department of Mines and Petroleum (**DMP**) work program desktop geological and geophysical obligations amount to a low \$20,000 per annum, while the R3 Retention Lease will be due for further renewal in mid-2011.
- Both OBL and TAP will now work to finalise the assignment of this interest with all relevant stakeholder approvals.

The Company is very pleased with this acquisition as it is in-line with its 'Peak Oil Strategy' to acquire undeveloped well-defined accumulations of hydrocarbon resources.

Yours faithfully

Kim McGrath
Chairman