



11 October 2010

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

Dear Sirs

CANNING BASIN OPERATIONS UPDATE BACKREEF-1 DRILLING REPORT NO.1

The Directors of Oil Basins Limited (**OBL**, ASX codes **OBL**, **OBLOA** and **OBLOB**, or the Company) are pleased to make the following ASX announcement relating to the imminent commencement of drilling operations at Backreef-1, Backreef Area Canning Basin, onshore Western Australia (**WA**), refer to Figure 1:

1. On 8 October 2010, the Company as Designated Operator, obtained formal approval from the WA Department of Mines and Petroleum (**DMP**) to commence drilling operations at Backreef-1 using the Hunt Energy and Mineral Co. Rig 3 (**Hunt Energy Rig 3**).
2. As at 12:00am WST 11 October 2010, the Hunt Energy Rig 3 was at an advanced stage of rig-up onsite and the Backreef-1 well is expected to spud sometime during 12 October 2010.
3. The Backreef-1 proposed drilling and evaluation operations as approved by the DMP and the prognosed Backreef-1 time versus depth curve using the Hunt Energy Rig 3 are presented in Figures 2 and 3.
4. In brief, the well will be drilled with a 311mm (12-1/4 inch) diameter hole to 650m RRT at which point 244 mm (9-5/8 inch) diameter casing will be run and cemented to surface. After connecting and testing the Blow-out Preventors and testing the formation, the well will be drilled with a 216 mm (8-1/2 inch) diameter hole to a prognosed total depth (TD) of 1,600m. At which point the well will be evaluated for hydrocarbons and either deepened, logged and abandoned or completed as a discovery with a 178mm (7 inch) diameter production liner.
5. The primary target in Backreef-1 is Devonian-aged sands in the Clanmeyer Formation deposited in a debris flow off the reef edge southwest of Harold-1. Based on acoustic impedance characteristics, these sands are interpreted to have preserved porosity. The section is likely to be self-sourcing and sealed by shales of the Clanmeyer Formation. The interpreted prospective section is centred on 1,500m. Although no coring is now planned during the drilling operations in either the shallow coal measures or the prognosed deeper shales, the production hole formations will be extensively logged (Quad Log i.e. – Dual Laterolog – MSFL – Density-Neutron-Sonic-Caliper – Gamma Ray) and, if warranted, comprehensive wireline formation pressure testing and sampling will be undertaken (Formation Pressure Tester – Pump Out-Fluid Analyser – PVT Sample Chambers). Refer to the comprehensive OBL ASX Announcement dated 6 September, 2010 for more information.
6. OBL is earning 90% of the Backreef Area by funding 100% of the drilling costs of Backreef-1. The OBL Farm-in is subject to a number of conditions by the titleholder – notably the well must attain a minimum depth of 1,500m by 31 October 2010 and the titleholder has 90 days to elect to exercise its once-off backin right to 30% by reimbursing OBL 90% of the well costs. Due mostly to higher mobilisation/demobilisation costs associated with using the Hunt Energy

Rig 3 and higher service company costs, the Backreef-1 well cost is now estimated at circa \$2.9 million (dry hole basis) and circa \$3.3 million (successful basis) based upon 15 days overall to drill and complete.

In accordance with ASX Listing Rules, during the conduct of Backreef-1 drilling operations, OBL will advise the market weekly (on Thursday's), or after concluding an important well drilling operation and/or obtaining an important assessment or result.

Designated Operator: Oil Basins Limited – earning 90% (by funding 100%)

Following the completion of the Backreef-1 well, the ownership interests in Backreef Area (Figure 1) will be as follows:

| | |
|--|--|
| Oil Basins Limited (ASX code OBL) (or Nominee) Notes 1, 2 , 4 | 60% (Designated Operator) |
| OBL Backreef No.5 Pty Ltd Notes 1 & 2 | 5% |
| OBL Backreef No.10 Pty Ltd Notes 1 & 2 | 10% |
| Canning Basin Oil Limited Notes 1 & 2 | 15% |
| Backreef Oil Pty Limited (“Backreef”) Notes 1, 2, 4 | 10% (Contract Well Operator) |
| Titleholder Note 3 | Nil% (holds back-in rights 30%) |

- Note 1 Columbus Energy 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) and holds one-off back-in rights for 30% by paying OBL 90% of well costs within 90 days of drilling Backreef-1.
- Note 4 OBL is carrying Backreef Oil Pty Limited as to 10% thereby increasing its Group holding to 90%

The **Backreef Area** comprises EP 129 Remainder (R)2 (part thereof), R3 & Licence (L)6, (part thereof).

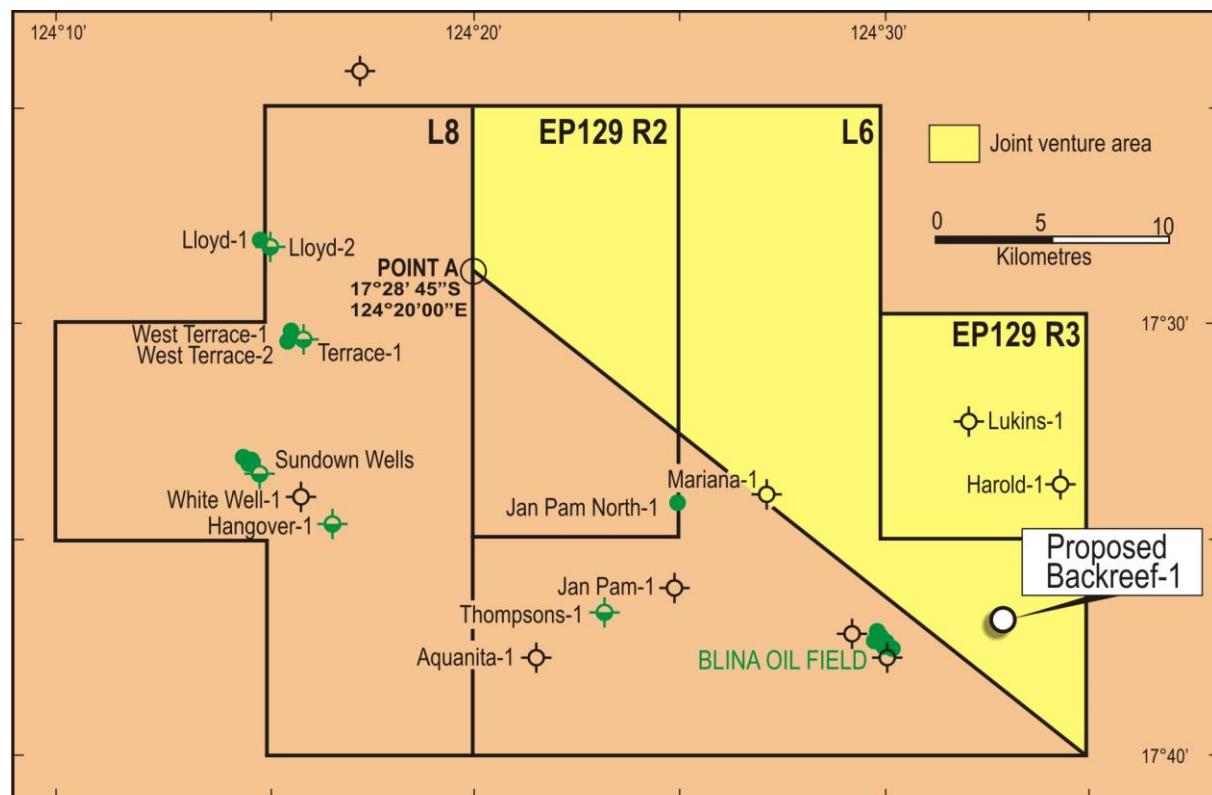


Figure 1:
Location of Backreef-1 within Backreef Area

Summary of Assessed Prospectivity

| | |
|-------------------|---|
| Permit | Backreef Area (EP 129 R2&R3 and L6) |
| Earning Interest | 90% OBL Group – Beneficial Rights |
| 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 |

Independently Assessed Gross Potential Prospective Recoverable Resources

| 100% Basis | Low Estimate | Median Estimate | High Estimate |
|--|---------------------|------------------------|----------------------|
| <i>Unrisked Potential Recoverable Oil Resource:</i> | 141 MMbbl | 270 MMbbl | 337 MMbbl |
| <i>Risked Potential Recoverable Oil Resource:</i> | 17.6 MMbbl | 33.8 MMbbl | 42.1 MMbbl |
| <i>Unrisked Potential Recoverable Gas Resource:</i> | 261 BCF | 500 BCF | 624 BCF |
| <i>Risked Potential Recoverable Gas Resource:</i> | 33 BCF | 63 BCF | 78 BCF |

Refer to OBL ASX Release dated 18 February, 2009 for more details.



Neil Doyle, SPE
Director

GLOSSARY & PETROLEUM UNITS

| | |
|------------------|---|
| m | metres |
| M | Thousand |
| MM | Million |
| B | Billion |
| Bbl or Bbls | Barrel of crude oil (ie 159 litres) |
| PJ | Peta Joule (1,000 Tera Joules (TJ)) |
| Bcf or BCF | Billion 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) |
| 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 |

Well Schematic : Backreef-1

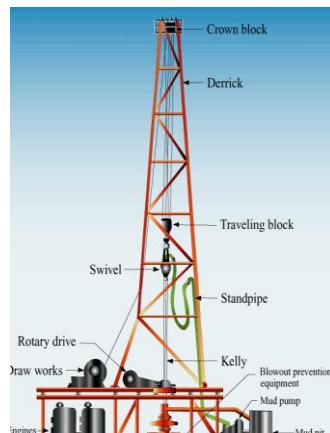
Vertical Exploration Well, L6

Timing : Spud ~ Oct. 2010

Rig : Hunt Energy Rig #3

All depths in mRT MD

RT- MSL = 62m est



OIL BASINS LIMITED

ABN 56 006 024 764

Backreef-1 Co-ordinates

Latitude 17 deg 36' 32.99"

Longitude 124 deg 33' 44.95"

406mm (16") Conductor pre-drill
with location preparations

12m 406mm (16") Conductor

311mm (12 1/4") Hole to ~650m

Length = 650m

Mud: Pre-hydrated Bentonite

1.89 SG Tail Cement to Seabed

DRILLING WITHOUT BOP

MW = 1.02sg (8.5 ppg)

Surface Casing

244mm (9-5/8") 47 ppf P-110 Vam top Con
650m

216mm (8 1/2") Hole

Length = ~950m

DRILLING WITH BOP

Mud: PHPA-KCl

MW = 1.04 sg (8.7 ppg)

TD = ~1600mRT
VERTICAL WELL

Production Liner

178mm (7") 29 ppf L-80 Vam top Con

Figure 2

Backreef-1

Time vs Depth Curve

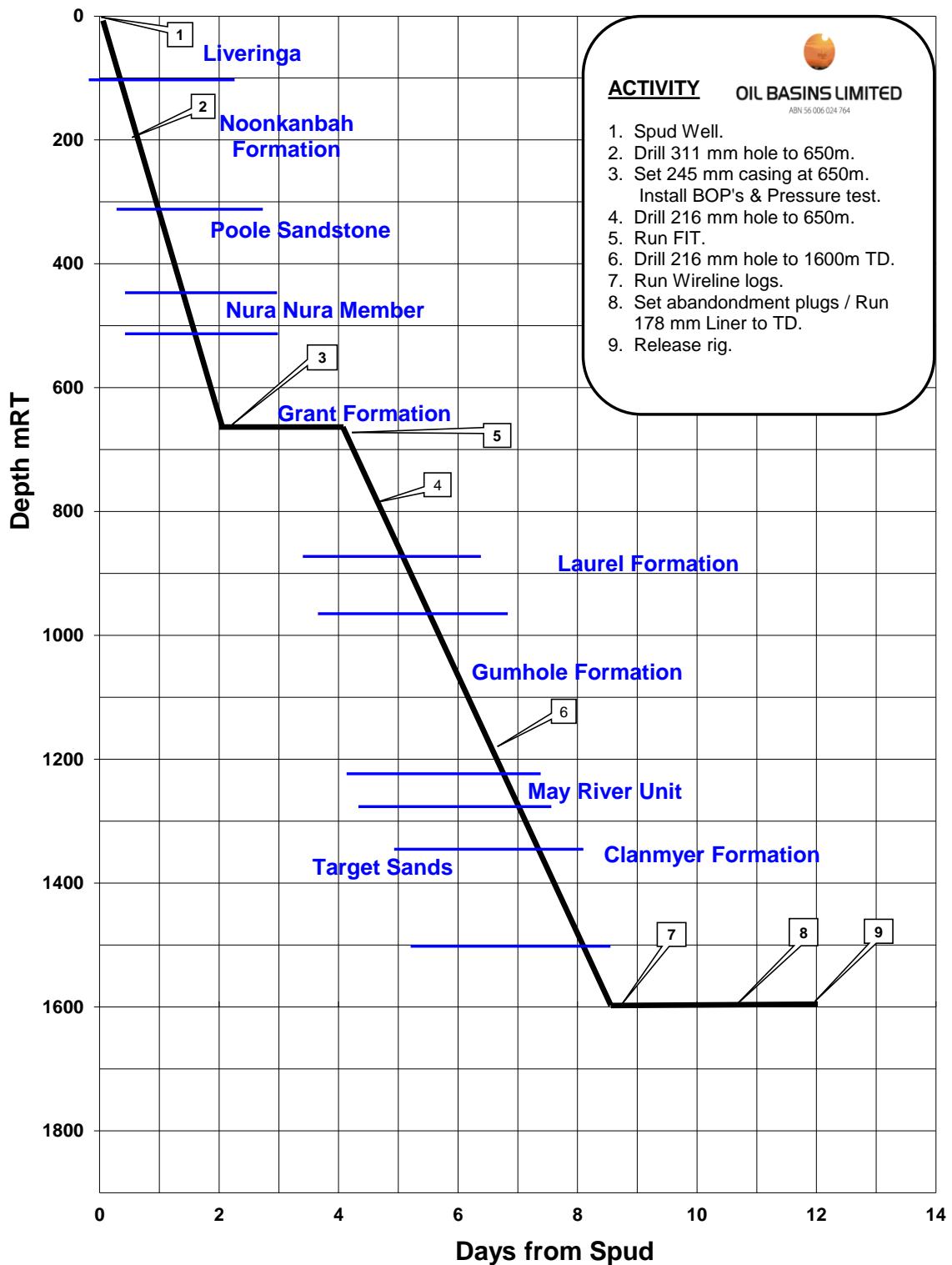


Figure 3