



OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT JUNE 2010

Oil Basins Limited (ASX codes **OBL**, **OBLOA** or **Company**) is pleased to present its June 2010 Quarterly Report.

HIGHLIGHTS

During the June Quarter, the Company reports:

- OBL held a number of strategic Farm-Out / Divestment discussions with respect to both its drill-ready Gippsland interests (where the Company was earlier appointed agent on behalf of the Vic/P41 joint venture for Managing the Farm-Out) and all of its Canning Basins interests.
- The Company completed the independent expert geological assessment of the extent of the coal measures situated within its large 50% Canning Basin permit 5/07-8 EP and 90% (beneficial rights) Backreef Area.
- Subsequent to quarter-end, the Company completed a further independent expert geological assessment of the Coal Seam Gas (**CSG**) and Unconventional Shale Gas (**USG**) potential within its large 50% Canning Basin permit 5/07-8 EP and 90% (beneficial rights) Backreef Area. Gross and Net potential prospective resources are detailed in Tables 1, 1a, 2 and 2b of this Report.
- The prognosed Backreef-1 has been re-assessed and potentially de-risked and is now drilled with three objectives, shallow CSG, deeper and significant unconventional Shale Gas potential (as evidenced by the previous seismic inversion assessment) and the previously delineated Clanmeyer sandstone primary reservoir target.
- Subsequent to quarter-end, the Company has engaged its Backreef Area Joint Venture Partner Backreef Oil Pty Limited (as nominated Operator and free-carried as to 10% by OBL) to make preparations for the drilling of Backreef-1, source at least two suitable drilling rigs, engage consultants to assist in the necessary Aboriginal Heritage field survey, source equipment and conduct the necessary environmental survey over the location within WA Production Licence 6. Further details will be released to the market after first consulting with all relevant stakeholders and licence titleholder.
- During the quarter and upto the date of this report the Company at the request of OBLOA Optionholders converted 3,439,999 options to OBL shares (raising some \$51,600).
- Subsequent to quarter-end, on 29 July 2010 the Company successfully completed a Strategic Placement of 6.5 million shares (**representing circa 4.94%**) to a significant downstream Corporate third party. The OBL directors are very pleased with this potentially important development which may lead to a Strategic Alliance between both parties. When appropriate and the confidential negotiations are complete the Company will make an ASX Announcement.
- OBL remains a low overhead oil and gas explorer and post the recent Strategic Placement presently has net cash of circa \$0.442 million, available working capital is deemed adequate to fund the Company's ongoing 2010 calendar year working capital commitments and permits the Company to pursue additional future growth and attractive investment opportunities.

COMPANY'S EXPLORATION INTERESTS

OBL holds rights to or interests in a portfolio of attractive drill-ready exploration assets. This portfolio includes 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% interest in Vic/P66 situated in offshore Gippsland Basin,
- 90% Rights to Backreef Area (by way of OBL agreeing to funding 100% of Backreef-1), onshore Canning Basin (note Rights have increased to 90%), In addition to significant conventional petroleum prospectivity within the Clanmeyer formation, the recent assessment has concluded that there is CSG and USG potential within the Backreef Area and all of these prognosed targets will be assessed in the proposed forthcoming drilling of Backreef-1 (to be drilled to 1500m by 31 October 2010).
- Nil% Rights to DR9 situated in onshore Canning Basin (20% Farmin at OBL's discretion),
- 50% interest in EP5/07-8 situated in onshore Canning Basin (exploration assessment activities recently expanded by OBL to cover both conventional petroleum, CSG and USG prospectivity).
- 25% interest in R3 situated in offshore Carnarvon Basin hosting the Cyrano Oil Field.

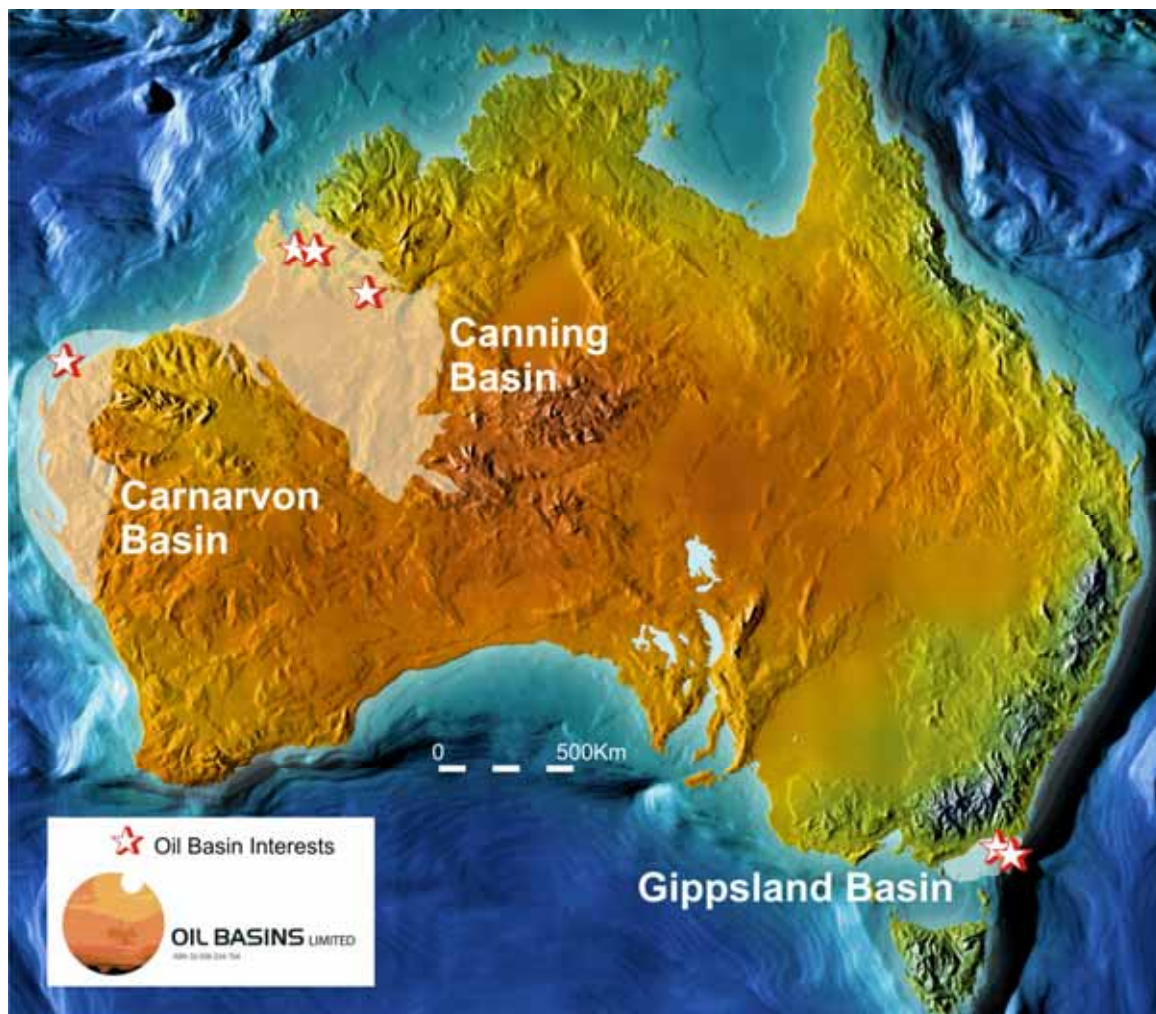


Figure 1
Oil Basins Exploration Interests

A. EXPLORATION ACTIVITIES

GIPPSLAND BASIN

PERMIT VIC/P41

Ownership (OBL - Rights upto 12.5%)

Update

During the quarter geological and geophysical studies continue with work being focused upon performing an independent inversion assessment and a regional Basin Study. Overall expenditure is estimated at around \$250,000 with OBL's contribution during the remainder of the year estimated at circa \$31,000.

As previously reported, as a result of the Vic/P41 Joint Venture Meeting held on 28 April 2010, OBL was appointed agent on behalf of the Vic/P41 joint venture partners (**JVPs**) for Managing the Farm-Out.

Broad information of the key exploration attributes of this Farm-In opportunity will be presented in a separate ASX Announcement and duly qualified Exploration & Production Companies or International Independents seeking an attractive strategic investment in one of Australia's premier hydrocarbon provinces should contact OBL directly

Recently, on 22 April 2010, Esso Australia, an ExxonMobil subsidiary, reported that they had encountered oil and gas at the **South East Remora-1** exploration wildcat well. Located 35 km off the Victorian coast in Bass Strait and 3 km north of the Marlin Platform, the well was drilled in 57 metres of water to a total depth of 3,602 metres below sea level, the wildcat discovered oil and gas in the Latrobe and Golden Beach groups in the Gippsland Basin. The well is included in the Gippsland Basin Joint Venture between Esso Australia Resources (50%, operator) and BHP Billiton Petroleum (Bass Strait) (50%). Data analysis and additional studies are being conducted to evaluate the discovery.

The importance of the South East Remora-1 discovery is that it has been made on the downthrown side of the Rosedale Fault – due West to but on a similar geological setting to the Vic/P41 Kipling/Benchley Prospects and the nearby Kipper Gasfield. Verifying and derisking the Rosedale Fault play type prognosed by the Vic/P41 JVPs.

The Company effectively holds a potentially low cost Drilling Option of upto 12.5% of this strategic drill-ready permit. The Company is performing this task for no fee and has presented the attributes of Vic/P41 to a number of interested third parties at conferences and by invitation.

PERMIT VIC/P66

Ownership (OBL – 17%)

Update

During the quarter geological and geophysical studies continue.

Company obligations for the remainder of 2010 are relatively modest by industry standards.

CANNING BASIN

BACKREEF AREA

Ownership The OBL Group has conditional Rights in the Backreef Area to 90%:

Note – the Backreef Area is also subject to various royalties and back-in rights (previous detailed in the OBL 2009 Annual Report).

Effectively OBL has right but not the obligation to drill and fund Backreef-1 to earn 90% Beneficial Interest (subject to a once-off 30% backin rights to the titleholder for repayment to OBL 90% well cost which must be exercised within 90 days of completing the Backreef-1 well). To earn the interest the well must be drilled to at least 1500m by no later than 31 October 2010.

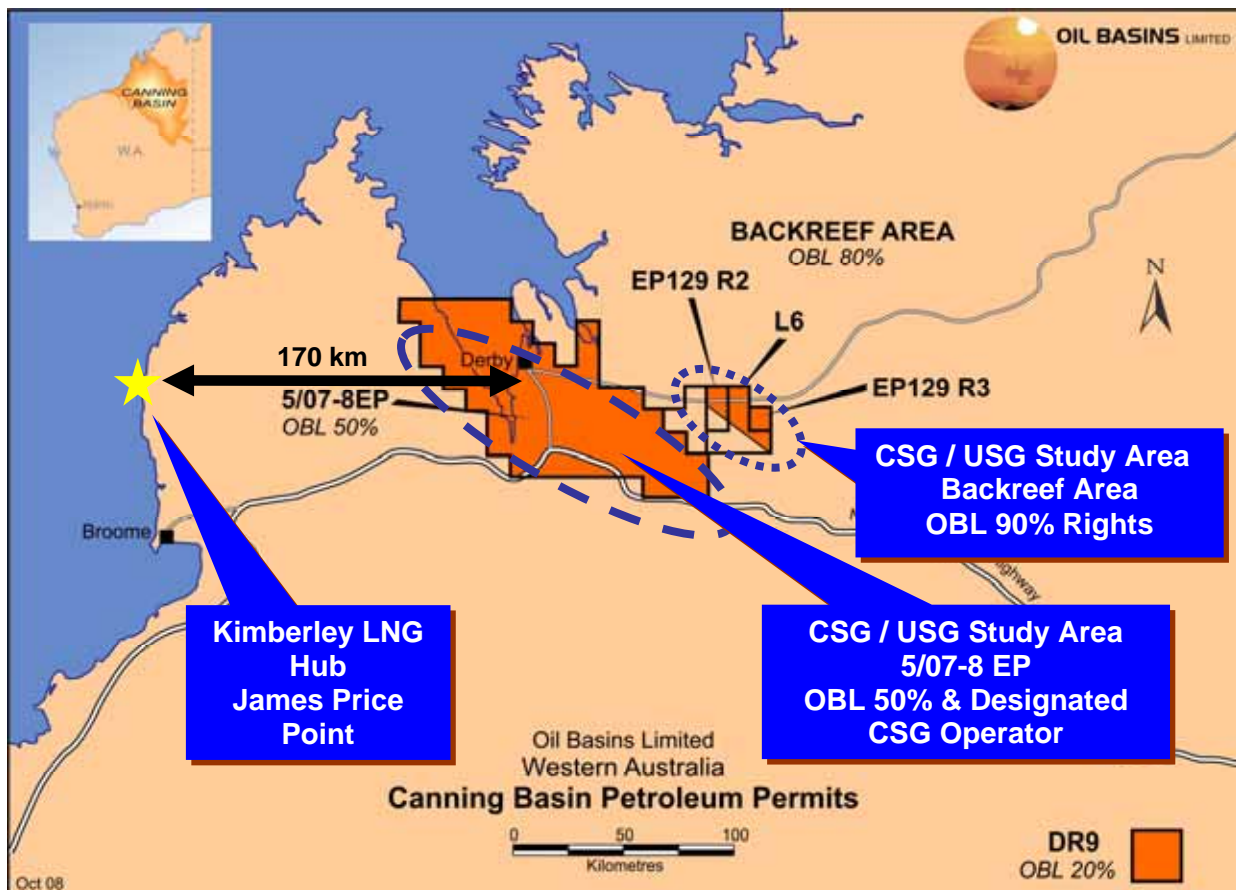


Figure 2
Oil Basins Limited's Canning Basin interests

Update

During the quarter OBL has focused upon:

- Presenting the Farm-In opportunity to third parties – at the time of preparing this report Confidentiality Agreements are still being exchanged with interested third parties,
- The independent coal measures assessment of the Backreef Area was completed (refer to summary attached); and
- The independent CSG Study and USG Study of the Backreef Area was completed (refer to summary attached).

Subsequent to quarter-end, the Company has engaged its Backreef Area Joint Venture Partner Backreef Oil Pty Limited (as nominated Operator and free-carried as to 10% by OBL) to make

preparations for the drilling of Backreef-1, source at least two suitable drilling rigs, engage consultants to assist in the necessary Aboriginal Heritage field survey, source equipment and conduct the necessary environmental survey over the location within WA Production Licence 6. Further details will be released to the market after first consulting with all relevant stakeholders and licence titleholder.

During 2008, OBL reprocessing of vintage 2D seismic delineated an attractive large undrilled Backreef stratigraphic prospect (circa 900 MMbbls OOIP and circa 270MMbbls gross 2P prospective potential resources) – prognosed to be a sand fan within an ancient marine channel (**Figure 3**).

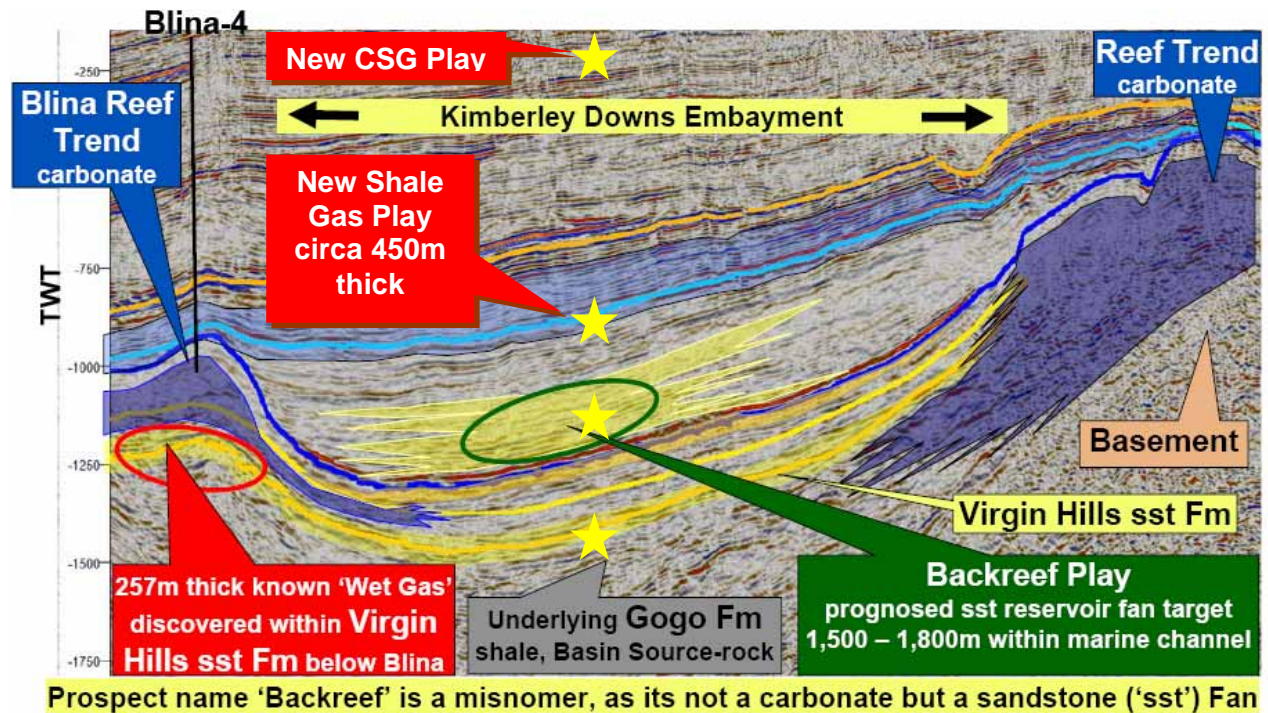


Figure 3
Backreef Prospect (drill-ready)
(schematic only showing shallow CSG and deeper USG & Stratigraphic Plays)

During 2009, after settlement of the OBL – Arc Energy legal dispute, which resulted in OBL moving from 35% to 80%, OBL commissioned an Independent Expert Geologist Report of the Hydrocarbon Potential of the Backreef Area (refer to **OBL ASX Release made the 18 February 2009**). This independent report concluded that the Backreef-1 prospect is highly attractive and drill-ready with the following assessed significant hydrocarbon potential:

	<i>Low Estimate</i>	<i>Median Estimate</i>	<i>High Estimate</i>
<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

- Potential reserves calculations indicate that the Backreef Prospect could host unrisked recoverable oil resources of 141 MMbbl, 270 MMbbl and 337 MMbbl in the low, median and high case estimates respectively.
- The corresponding figures for gas, if the Backreef Prospect hosts gas only, are 261 BCF, 500 BCF and 624 BCF respectively.

With respect to the Backreef Area during the 2Q2010, OBL has recently focused upon derisking the high-risk Backreef Play with respect to additional prognosed CSG and USG potential (schematically presented in Figure 3).

PERMIT 5/07-8 EP

Location – onshore Fitzroy Sub-Basin WA (refer to **Figure 1**)

Ownership (OBL - 50%)

New Permit – awaiting Native Title awarding and Operator recently met again with the majority of stakeholders in July. Following satisfactorily executing stakeholder and authorities agreements, the joint venture interests will be as follows:

Backreef Oil Pty Limited	50% (Operator)
Oil Basins Limited (or Nominee)	50%

Conventional Oil & Gas Potential

Geological Review

The area consists almost entirely of Fitzroy Graben sediments. The northwestern half of the area lies under King Sound and associated tidal flats. As this area is not more prospective than the southeastern half, but is far more expensive to explore, this review will concentrate on the southeastern half.

The area has a thick sequence of Fitzroy Graben sediments. There is a broad syncline trending northwest – southeast centred on the mouth of the Fitzroy River.

Three wells have been drilled in the area, or immediately adjacent, in this graben sequence. They are Booran-1, East Yeeda-1 and Millard-1.

Booran-1 was drilled on a large anticline on the Derby Peninsular. East Yeeda-1 was drilled on a faulted anticline with the Anderson Formation as the primary target. Millard-1 was drilled on a large, simple anticline to target the Grant Formation.

Reservoir

In both Booran-1 and East Yeeda-1, porosity was about 20% in the Poole Sandstone and uppermost Grant Formation, at about 1,200 metres. Porosity then reduced at about 1% per 100 metres of depth to reach about 10% at the top of the Anderson Formation at about 2,200 metres.

Reservoir quality then continued to become further sub-commercial.

Seal

The best reservoir/seal combination in the area is the Poole Sandstone/Noonkanbah Formation, followed by the sands and shales of the uppermost Grant Formation.

The lower two thirds of the Grant Formation appears to be devoid of intraformational sealing shales.

Source

This part of the Fitzroy Trough contains a large thickness of source rocks in the oil window, and below that a larger thickness in the gas window. As such, it has generated oil and gas. The bulk of this generation may have occurred before the Triassic structuring event. Nevertheless, oil may continue to have been generated and migrated post the Triassic event. The presence of oilfields in the Grant Formation in the Sundown area point to long distance migration.

Structural Style

The Booran structure is an elongate, high relief structure generated near to the northern edge of the graben. The Millard structure is a low relief anticline located in weakly structured part of the graben. East Yeeda is a culmination on an east-west trending high, cross-cut by northwest-southeast trending normal faults. Mapping of the East Yeeda area by Bridge Oil in the mid-1980s suggests that these faults are approximately 2 km apart. Fault independent closure appears to be rare. The most common type of prospect is a rotated fault block with seal provided by downthrown Noonkanbah Formation.

Prospectivity

Exploration will target the Poole and Upper Grant Formation sands as reservoir properties below this level are quite poor, or in the case of the lower two thirds of the Grant Formation, the sands lack seals.

There do not appear to be any drillable prospects generated from the existing seismic data set over the area. Based on the structural style, seismic could be directed at finding large anticlines similar to Booran and Millard, on trend from these structures, or defining rotated fault blocks on the East Yeeda high and to the northeast from there towards the Sundown Oilfield.

The latter approach is more likely to generate drillable prospects than the former. Although they will be smaller, there will be a lot more of them. The Bridge Oil mapping of the East Yeeda Ridge suggests a prospect density of one per 100 sq km.

Concepts Underlying the Proposed Exploration Program

1. The economically valid couplet is the Poole and Upper Grant/Noonkanbah pair.
2. Targets in the underlying Anderson Formations and below will be no larger in volume than those in the Upper Grant in the same structure, but will have far worse porosity and permeability, affecting production economics.
3. The area where the greatest number of Poole and Upper Grant targets will be generated is on the East Yeeda Ridge and the area from there to the northeast.
4. The fault spacing of 2 km in this area will require at least a 1 km line spacing in order to generate fault-independent closures.
5. The initial seismic programme therefore will be on a 2 km line spacing aligned with the existing grid.
6. Based on an area of four square kilometers and 40 metres of closure, potential pool sizes may be of the order of 13 million barrels.
7. Wells will be drilled to 1,500 metres to adequately test the target horizons at about 1,200 to 1,300 metres. **Below this level is effectively economic basement.**

Permit 5/07-8 EP Exploration & Work Program

The primary targets expected to have the greatest number of Poole and Upper Grant prospects will be generated is on the East Yeeda Ridge and the area from there to the northeast.

The exploration work program (**refer below**) will combine both initial seismic aligned with the existing grid and 6 wells drilled to circa 1,500 metres to adequately test the target horizons at about 1,200 to 1,300 metres.

Below this level is effectively economic basement.

Based on an area of four square kilometers and 40 metres of closure, potential pool sizes may be of the order of 13 million barrels.

Year*	Agreed Work Program	Estimated Expenditure \$M	Estimated OBL Share \$M
1	500 sq km 2D seismic	2.7	1.35
2	2 wells	3.0	1.50
3	2 wells	3.0	1.50
4	200 sq km 2D seismic	1.1	0.55
5	1 well	1.5	0.75
6	1 well	1.5	0.75
Totals	6 wells & 700sq km 2D seismic	12.8	6.40

Permit 5/07-8EP Work Program

*Commencement Year is subject to satisfactory completion of Native Title negotiations and agreement with the Kimberley Land Council.

It should be noted that part or portions of this work program may with the consent of the DMP be assigned to prospective CSG and Unconventional Shale Gas activity expenditure.

CSG & Unconventional Shale Gas Potential

In late 2009, OBL commissioned independent expert geologist Ms Dierdre Westblade of Westby Consulting to assess the coal measures within Permit 5/07-8 EP as part of a wider study of the Coal Seam Gas (**CSG**) potential of the Permit. Work commenced in February 2010 and was further expanded in March 2010 to include the Backreef Area in an overall Independent Coal Measures Assessment Report..

In addition OBL has also commissioned independent expert geologist Mr Roger Meaney to provide an Independent Expert Geologist CSG and Unconventional Shale Gas (**USG**) Prospectivity Report for the CSG and shale gas potential of both Areas (Figure 4).

Independent Coal Measures Assessment Report

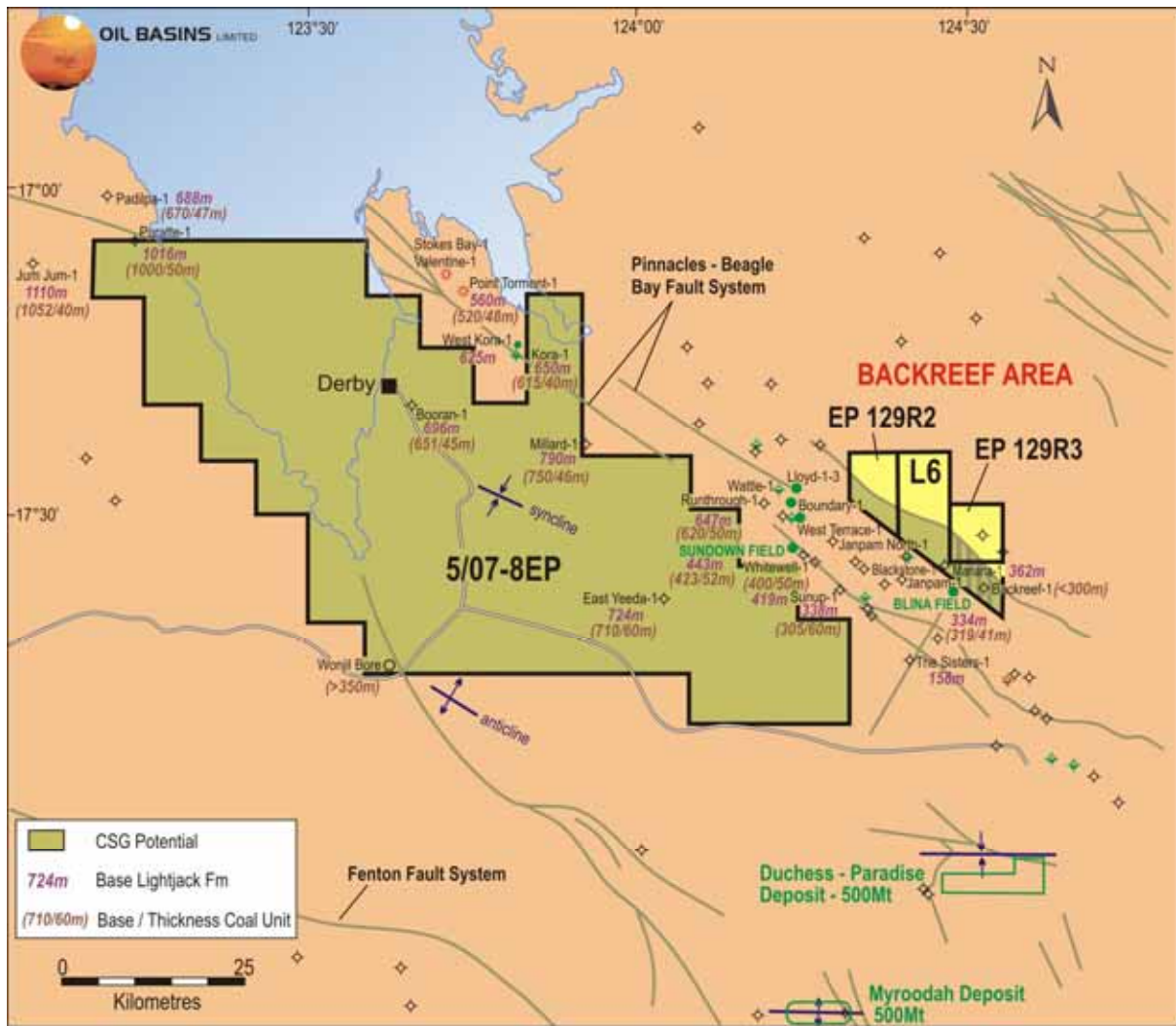
On 31 May 2010, Oil Basins Limited ("OBL") received an independent expert report prepared by Westby Consulting Pty Ltd in response to OBL's request to complete a desktop study of the coal potential of 5/07-8 EP and the Backreef Area (Figure 3), particularly at depths and the thickness required for Coal Seam Gas ("CSG") – the specific criteria used for CSG are seams >3 m thick and at depths >300 m.

Principal Findings :

Although there has been widespread mineral exploration within the Canning Basin all historic coal exploration has generally concentrated on locating shallow coal near the known out-crop of the Permian Lightjack Formation. The closest explored area is located some 30 km to the south of 5/07-8 EP, consequently no deep mineral exploration holes have been completed in either permit area. Therefore, the depth to the Lightjack Formation coal unit has been interpreted from both oil and water wells and the coal quality characteristics were inferred from known shallow deposits to the south.

The Lightjack Formation has been interpreted to be present at depths suitable for CSG throughout all of 5/08-8 EP. However, within the Backreef Area, only the portion west of the Sixty-seven Mile Fault System is interpreted to be at a depth >300m (Figure 5).

South of the Fenton Fault, recent coal exploration by Rio Tinto Exploration (2003/04) discovered an extensive area of high ash content (>45%) shallow coal.



Extent of Light Jack Formation Upper Coal Member

Figure 4
Oil Basins Limited's Canning Coal Bearing Units

Permit 5/08-8 EP

Esso Exploration's Booran-1 (1982), one of only four wells drilled within the 5,062 sq km of 5/07-8 EP, has recorded coal over a 20 m interval within the Lightjack Formation. It also displays a similar pattern in the downhole geophysics, over the coal unit, to that in Petaluma 1 - indicating the potential for coal depocentres in the style of the Duchess-Paradise and Myroodah deposits in this area.

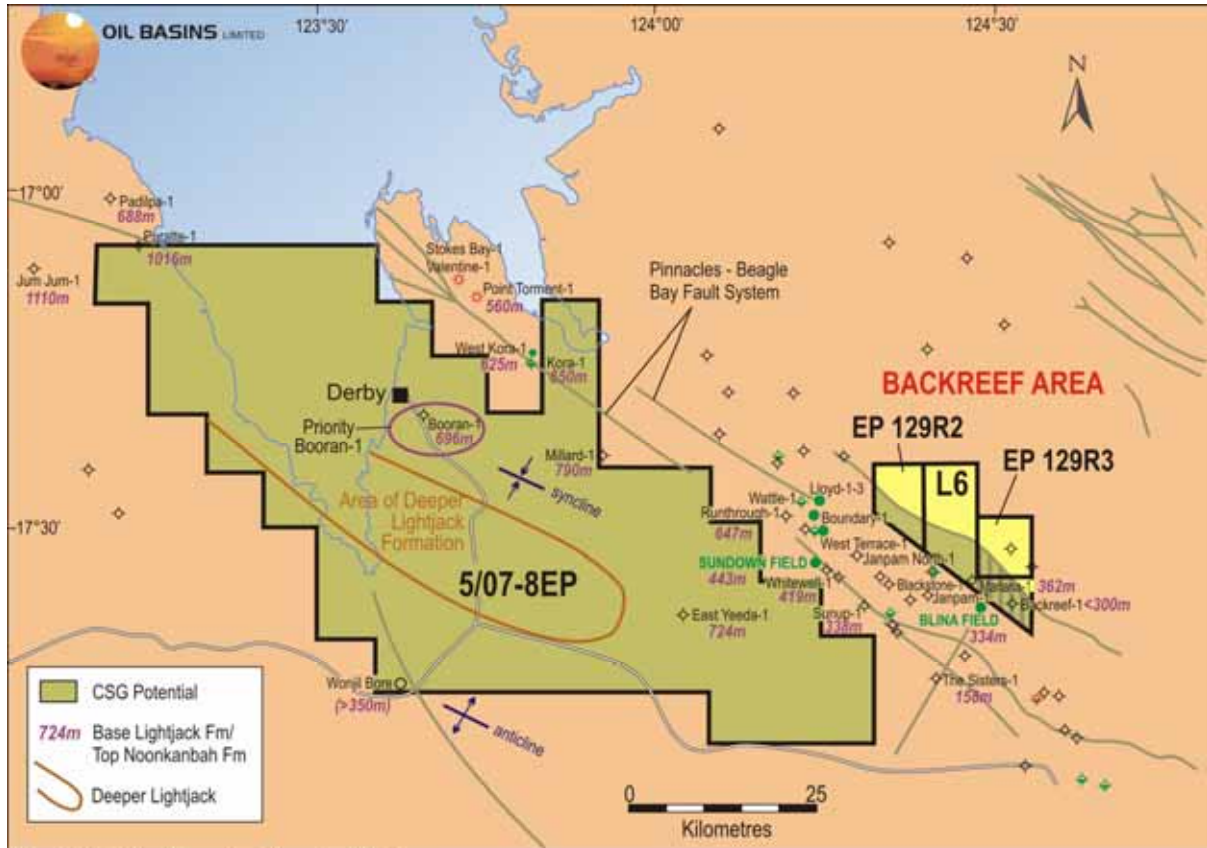
The proximity of Booran-1 to Derby would make the immediate region a priority exploration target for CSG (Figure 5).

The downhole geophysical logs in vintage petroleum wells Booran-1, East Yeeda-1, Millard-1 and Puratte-1, within 5/07-8 EP, as well as nearby wells Kora-1, Runthrough-1 and Whitewall-1 all display a similar geophysical signature to Petaluma-1 indicating that the coaly unit of the Lightjack Formation is present over the entire permit. The base of the Lightjack coal unit varies from >350m in Wonjil bore at the south-west corner of 5/07-8 EP to 710 m in East Yeeda-1, 750 m in Millard-1, 665 m in Booran-1 and 615 m in Kora-1. It is stratigraphically located 15-40 m above the top of the Noonkanbah Formation within 5/08-8 EP - this is consistent with previous findings.

Thus the coal unit of the Lightjack Formation is present at depths required for CSG across the entire Permit (Figures 4 and 5).

Backreef Area

Specifically, the planned Backreef-1 well is designed by OBL to test a much deeper prognosed marine channel prospect, and as sited will test the Permian Lightjack coal measures at a sub-optimal location (ie depth to coal is estimated at only 150m) but nonetheless will enable a core to be cut as Backreef-1 is sited on the down-thrown side of the Sixty-seven Mile Fault System.



Extent of Light Jack Formation Upper Coal Member

Figure 5

Oil Basins Prospective Coal Locations within its Canning Basin Interests

Indicative Coal Measures

Booran 1's well formation log which records coal between 645 - 665m and gas just below this interval, supports the geophysical interpretation used above and indicates the potential for coal depocentres in the style of the Duchess-Paradise and Myroodah deposits in this area.

Given that Rey Resources Ltd has defined two coal deposits some 30 km apart, each with JORC resources in excess of 500 Mt and a strike length in excess of 10 km, then it can be assumed that similar deposits are present within 5/07-8 EP and the Backreef Area at depth.

The Rey Resources Ltd Myroodah–Duchess exploration leases cover an area of around 3,000 sq km (their entire Canning Basin licences cover around 8,000 sq km).

CSG Potential Prospective Resources

Principal Findings :

OBL is pleased with these important findings and believes they will underpin the continuing work on the **Independent Expert Geologist CSG and Shale Gas Prospectivity Report** of both Areas, which was released to the ASX on 8 July 2010.

- Oil Basins' Canning Basin acreage is known to contain extensive Permian coal measures

(Lightjacket coal measures within the Liveringa Formation) and carbonaceous shales, correlatives of which are known to have sourced the gas and oil accumulations in the Cooper Basin of central Australia and Bowen Basin of eastern Australia.

- If the coals of the Liveringa Formation are like all the Permian aged coals of eastern and central Australia they should be good CSG targets as they are expected to be volatile and 'gassy'. Similar low cost east coast CSG development technologies may be applicable to Canning Basin coals.
- The Permian aged coals of the Canning Basin are thought to have considerable potential for coal bed methane drainage. These source beds, of the Lightjack Formation of the Liveringa Group, are thought to contain Type 2 or oil prone macerals, as confirmed by geochemical analyses of samples from oil wells, and could also have sourced conventional hydrocarbon accumulations.

The estimated Lightjacket Formation 'in-situ coal volumes' are substantial:-

<i>i.</i>	High Estimate	118.2 Billion tonnes
<i>ii.</i>	Best Estimate	80.2 Billion tonnes
<i>iii.</i>	Low Estimate	50.6 Billion tonnes

The estimated total gross estimated recoverable prospective CSG hydrocarbon resource in the 'maximum' (high), 'mean' (best) and 'minimum' (low) deterministic cases are:-

- a) **High Estimate 10.0 Tcf** (average Lightjack coal seam thickness – 14m)
- b) **Best Estimate 6.8 Tcf** (average Lightjack coal seam thickness – 9.5m)
- c) **Low Estimate 4.3 Tcf** (average Lightjack coal seam thickness – 6m)

OBL Net interest positions are estimated in Table 1a

USG Potential Prospective Resources

Principal Findings :

The Permian aged shales of the basal Noonkanbah Formation appear to be candidates for fracturing and the production of shale gas, given their tight organic rich intervals. 'Wet', or condensate rich, headspace gas has been recorded from samples of this unit. The richness of this unit (within Exploration Permit 5/07-8 EP) has been confirmed by laboratory analyses of the vintage Esso 1982 well Booran-1 (some 3.5 km south of Derby) – this evident wet trend of abnormally high TOCs circa 9.6% is evident with the assessment of the 1982 vintage Esso well West Kora-1 some 15km north east.

The estimated gross potential un-risked shale gas in place (**GIP**) resource determinations:-

<i>i.</i>	Maximum case	527.5 TCF
<i>ii.</i>	Mean case	263.8 TCF
<i>iii.</i>	Minimum case	106.5 TCF

OBL Net interest positions are estimated in Table 2a

While no estimate of gross recoverable prospective resources is completely definitive at this very early stage of exploration assessment, the sheer size of this potential new USG play is significant (magnitude of the above USG GIP figures are more than comparable to those previously reported by other 'more remote to existing infrastructure' Canning Basin permit holders). The application of newly proven modern gas extraction techniques, with long-reach horizontal multi-lateral well drilling technologies and multiple-fracking technologies (as used in the seven North American marine basins extracting USG), are worthy of further exploration assessment in both EP5/07-8 and the Backreef Area.

Should large enough volumes of gas, either of a CSG or USG shale genesis, be proven up then OBL

and its JVP Backreef Oil would consider plans for the establishment of domestic gas supply for the local region or to the significant mineral operations in the Pilbara, and/or the establishment of either CSG or USG sourced liquified natural gas (**LNG**) plant feedstock supply to the proposed Kimberley LNG Hub at James Price Point and/or potentially the development of a large scale gas to liquids (**GtL**) synthesis plant situated near Derby.

EXTRACT FROM INDEPENDENT EXPERT REPORT

Although there is significant potential for both conventional and unconventional hydrocarbon resources, for CSG alone, undiscovered recoverable gross Prospective Resources (SPE definition) thought to be present in Oil Basins' tenements are as tabled in Table 1 (with OBL Net positions are estimated in Table 1a) below:-

Table 1.	<u>TENEMENT</u>	<u>LOW ESTIMATE</u>	<u>BEST ESTIMATE</u>	<u>HIGH ESTIMATE</u>
Gross				
	EP5/07-8	4.1 TCF	6.5 TCF	9.6 TCF
	BACKREEF AREA	0.2 TCF	0.3 TCF	0.4 TCF
	TOTAL	<u>4.3 TCF</u>	<u>6.8 TCF</u>	<u>10.0 TCF</u>

Possible Recoverable Gross CSG Resources in EP5/07-8 & Backreef Area in Trillions of Cubic Feet of gas (TCF)

Table 1a	<u>TENEMENT</u>	<u>LOW ESTIMATE</u>	<u>BEST ESTIMATE</u>	<u>HIGH ESTIMATE</u>
Net OBL				
	EP5/07-8 (50%)	2.05 TCF	3.25 TCF	4.80 TCF
	BACKREEF AREA (90%)	0.18 TCF	0.27 TCF	0.36 TCF
	TOTAL	<u>2.32 TCF</u>	<u>3.52 TCF</u>	<u>5.16 TCF</u>

Possible Recoverable Net CSG Resources in EP5/07-8 & Backreef Area in Trillions of Cubic Feet of gas (TCF)

Specifically, in the case of shale gas the respective unrisks potential gross 'gas in place' resources are estimated in Table 2 (with OBL Net positions are estimated in Table 2a):-

Table 2.	<u>TENEMENT</u>	<u>LOW ESTIMATE</u>	<u>BEST ESTIMATE</u>	<u>HIGH ESTIMATE</u>
	EP5/07-8	101.2 TCF	253.1 TCF	506.2 TCF
	BACKREEF AREA	4.3 TCF	10.7 TCF	21.3 TCF
	TOTAL	<u>105.5 TCF</u>	<u>263.8 TCF</u>	<u>527.5 TCF</u>

Possible Potential Unrisks Gross Shale Gas-in-Place Resources in EP5/07-8 & Backreef Area in Trillions of Cubic Feet of gas (TCF)

DR9

Ownership The OBL Group presently holds a nil% interest – but can elect to increase to 20%.

Update

The previous Farmin option for Emika-1 DR9 has effectively lapsed with the withdrawal of the Canning Basin Oil Limited (**CBO**) Information Memorandum Offer on 31 March 2010. Subject to funding the OBL Group may re-elect to farmin with Backreef Oil Pty Limited.

CARNARVON BASIN

RETENTION LEASE R3

Ownership (OBL - 25%)

Geological and geophysical studies continue. Forecast expenditures remain relatively modest by industry standards.

B. BUSINESS DEVELOPMENT

During the quarter, OBL established a new Papua New Guinea (PNG) registered public company subsidiary Wantok Oil Limited (Wantok) to seek attractive investment and exploration / development opportunities in PNG on behalf of OBL. As mentioned previously, formal registration of this subsidiary continues with relevant PNG regulatory authorities and stakeholders. OBL and Wantok are screening new business opportunities in PNG which is rapidly becoming a major LNG development focus area.

During the quarter, the Company assessed two large acquisition opportunities. Both opportunities were offered to the Company to review under strict confidentiality agreements. The Company withdrew from bidding for one and is presently continuing to assess another. These one-off assessments to date amount additional due diligence expenses of circa \$80,000. Should a satisfactory outcome eventuate the Company will immediately advise the ASX.

C. CAPITAL RAISING

- During the quarter and upto the date of this report, the Company (a) issued 2,312,500 OBL and 578,125 OBLOA options to CBO Applicants raising \$92,500 and (b) at the request of OBLOA Optionholders converted 3,439,999 options to OBL shares (raising some \$51,600).
- **Subsequent to quarter-end, the Company on 29 July 2010 successfully completed a Strategic Placement of 6.5 million shares (representing circa 4.94%) to a significant Corporate third party.**

CAPITAL STRUCTURE POST – STRATEGIC PLACEMENT 29 JULY 2010

OBL Capital Structure	Ordinary Shares OBL	Listed Options OBLOA @ 1.5 cents	Unlisted Directors & Management Options @ 4.0 cents	\$ Amount raised / Market Cap \$Million @ 4.0 cents
Issued Capital	125,045,267	62,265,211	36,000,000	\$5.001M
Strategic Placement @ 4.0 cents	6,500,000			\$0.260M
New Issued Capital	131,545,267	62,265,211	36,000,000	\$5.261M

D. CASH POSITION

Cash held at 30 June 2010 was circa \$0.221 million and the Company has no significant creditors or liabilities forecast for 2010.

OBL remains a low overhead oil and gas explorer and with present cash on hand of circa \$0.442 million, available working capital is deemed adequate to fund the Company's ongoing 2010 calendar year actual working capital commitments and permit the Company to pursue additional future growth and attractive investment opportunities.

This Quarterly Report will be available on the Company's website www.oilbasins.com.au

30 July 2010

DISCLAIMER – GENERAL

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 risked 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.

DISCLAIMER – CSG & USG PROSPECTIVITY AND CSG & USG RESOURCES POTENTIAL

There are numerous uncertainties inherent in estimating quantities of prospective and economic CSG & USG resources, including many factors beyond OBL’s control. Estimates of economically recoverable CSG natural gas reserves are based upon a number of factors and assumptions, such as geological and engineering estimates and judgments (which have inherent uncertainties and risks), the assumed effects of governmental regulation and access to the Browse LNG Hub and estimates of future domestic gas and export-LNG commodity prices and operating costs, all of which may vary considerably from actual results and/or future negotiations.

Specifically no claims are made by the Backreef Oil Pty Limited / OBL JVPs, Directors, and their Technical & Independent Consultants as to the CSG / CSM & USG prospectivity of the Canning Basin Permit 5/07-8 EP at this early and preliminary stage.

Prospective CSG & USG Resources are those quantities of CSG 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 CSG necessarily exist within the Permit. As this work is preliminary in nature, an equally valid outcome in relation to the CSG & USG Study Areas is that no CSG will be discovered, or be in fact commercial.

The technical information related to coal measures in the CSG Study Areas has been compiled and/or assessed by Independent Expert Geologist Ms Dierdre Westblade, Principal of Westby Consulting Pty Ltd a leading coal consultancy based in WA. Ms Westblade who is a professional geologist (BSc – Geology) with over 30 years standing and who is also a Member of the Geological Society of Australia. Ms Westblade has consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear (specifically investors should refer to the OBL ASX Announcement 1 June 2010).

The Independent Geological Expert CSG & USG Prospectivity Assessment of both Study Areas was performed by Roger Meaney, Consultant Petroleum Geologist, graduated from LaTrobe University with a B.Sc. (Honours) in Physics and a Diploma of Education in 1973. He later completed the requirements for a B.Sc. in Geology from the same institution, part time. He has more than 31 years experience in oil and gas exploration. He was employed as a Petroleum Geophysicist by Esso Australia Limited, AAR Limited and Santos Limited and worked in all facets of hydrocarbon exploration and production. He has extensive technical experience in both the onshore and offshore sectors of the industry in Australia and some in the United States of America, Canada and Papua New Guinea, Indonesia, Burma and Thailand and in management. Roger also has experience in the coal bed methane drainage industry, as well as knowledge of underground coal gasification and gas to liquids synthesis.

He is a member of the Society of Exploration Geophysicists and of the Petroleum Exploration Society of Australia, and is subject to the code of ethics of these bodies. Roger has completed several Independent Geologist Reports for Australian companies in accordance with the requirements of the Australian Stock Exchange.

Roger is a past President and past Vice President of the Queensland Petroleum Exploration Society (QUPEX), Australia's oldest petroleum industry body and has consented to the inclusion in this announcement of the matters based on the information in the form and context in which they appear (specifically investors should refer to OBL ASX Announcement 8 July 2010).

GLOSSARY & PETROLEUM UNITS

M	Thousand
MM	Million
B	Billion
bbl	Barrel of crude oil (ie 159 litres)
PJ	Peta Joule (1,000 Tera Joules (TJ))
Bcf	Billion cubic feet
Tcf	Trillion cubic feet (ie 1,000 Bcf)
BOE6	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
CSG	Coal seam gas (CSG) or alternatively known as coal seam methane (CSM) is natural gas sourced from coal. Methane = CH ₄ = H-H-C-H-H, which is the same as: conventional gas, landfill gas, peat gas. CSM is produced during the creation of coal from peat. The methane in CSM is adsorbed onto the surface of micropores in the coal. The amount of methane adsorbed increases with pressure. CSM is expelled from the seam over geologic time because coal has the capacity to hold only about a tenth of the methane it produces. Apart from power station applications, high quality methane can be used as a valuable feedstock for petrochemical plants such as urea, ammonia, ammonium nitrate, gas to liquids (diesel) and LNG production.
Romax	Refers to the reflectivity of organic macerals in coal which gives a measure of thermal maturity or how hot the coals have been when buried.

ABOUT OIL BASINS LIMITED

Oil Basins Limited (**ASX codes OBL & OBLOA**) is an ASX listed E&P junior and highly leveraged development company, founded in mid-2006 and lead by a highly experienced team of energy professionals with a fairly unique skills set combining:

- Energy sector investment banking (capital raising/project financing, acquisition & divestment and corporate mergers & acquisitions and production hedges/swaps and derivatives).
- Comprehensive operational experience in all facets of upstream and downstream energy sectors – upstream includes all facets of offshore (platform, subsea and FPSO) and onshore conventional oil and gas & CSG / USG developments – downstream includes LPG, LNG, CNG, GtL and power generation.
- Key focus areas are Australia, New Zealand, Papua New Guinea and Indonesia where OBL has particular in-house strengths and the experience and skills set to conduct Basins Studies.
- OBL regularly screens new acreage and farmin opportunities and is presently reviewing production acquisition opportunities.
- After conducting its own inhouse technical peer reviews and commissioning Independent Expert Geologist Reports, OBL is presently focusing on farming out all of its acreage interests in the Gippsland, Canning and Carnarvon Basins.

DIRECTORS & MANAGEMENT

Kim McGrath LLB	Non Executive Chairman
Neil Doyle SPE	Non Executive Director
Nigel Harvey SPE	Non Executive Director

Melanie Leydin CA	Company Secretary
Geoff Geary PESA	Technical Consultant