OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT
SEPTEMBER 2007

Oil Basins Limited (ASX code **OBL** or **Company**) is pleased to present its September 2007 Quarterly Report.

HIGHLIGHTS

During the Quarter:

- **OBL has now obtained formal registration from the Government of Western Australia's Department of Industry and Resources for all the Farm-In dealings for 35% of the Blina Back Reef Play Joint Venture Area and has sought registration of the remaining 15% with the Department.**
- **OBL now has formal rights to 50% of the Blina Back Reef Play Joint Venture Area.**
- **OBL presently has interests in 8 attractive "drill-ready prospects" – 6 situated in the offshore Gippsland Basin (all defined by very modern 3D seismic) and 2 situated in the onshore Canning Basin – offering OBL Shareholders high exposure and leverage to oil and gas prospectivity (at very modest initial asset acquisition prices).**

COMPANY'S EXPLORATION INTERESTS

Oil Basins Limited is involved in exploration for oil and gas in the offshore Gippsland Basin waters of south-eastern Australia and the onshore Canning Basin of Western Australia (refer to Figure 1) all primarily in good addresses and mostly strategically close / adjacent to infrastructure.

Company has formal rights to earn:

- a total of 12.5% of offshore Vic/P41 – offshore Gippsland permit nearby to Kipper gasfield, Sole gasfield and Basker / Manta oil and gas FPSO development.
- a total of 50% of Canning Basin Blina Back Reef Play Joint Venture, including the Backreef-1 Prospect.
- 20% of Canning Basin Drilling Reservation 9 including the Selene-1 Prospect.

Figure 1
Oil Basins Exploration Interests

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GIPPSLAND BASIN – VIC/P41 (OBL rights to 12.5%)

(a) Joint Venture Interests

The Vic/P41 Joint Venture consist 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)
Eagle Bay Resources NL **(ASX code: EBR)**	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 EBR)**
Over-riding Royalties Interests (ORRI)	Nil

(b) Location

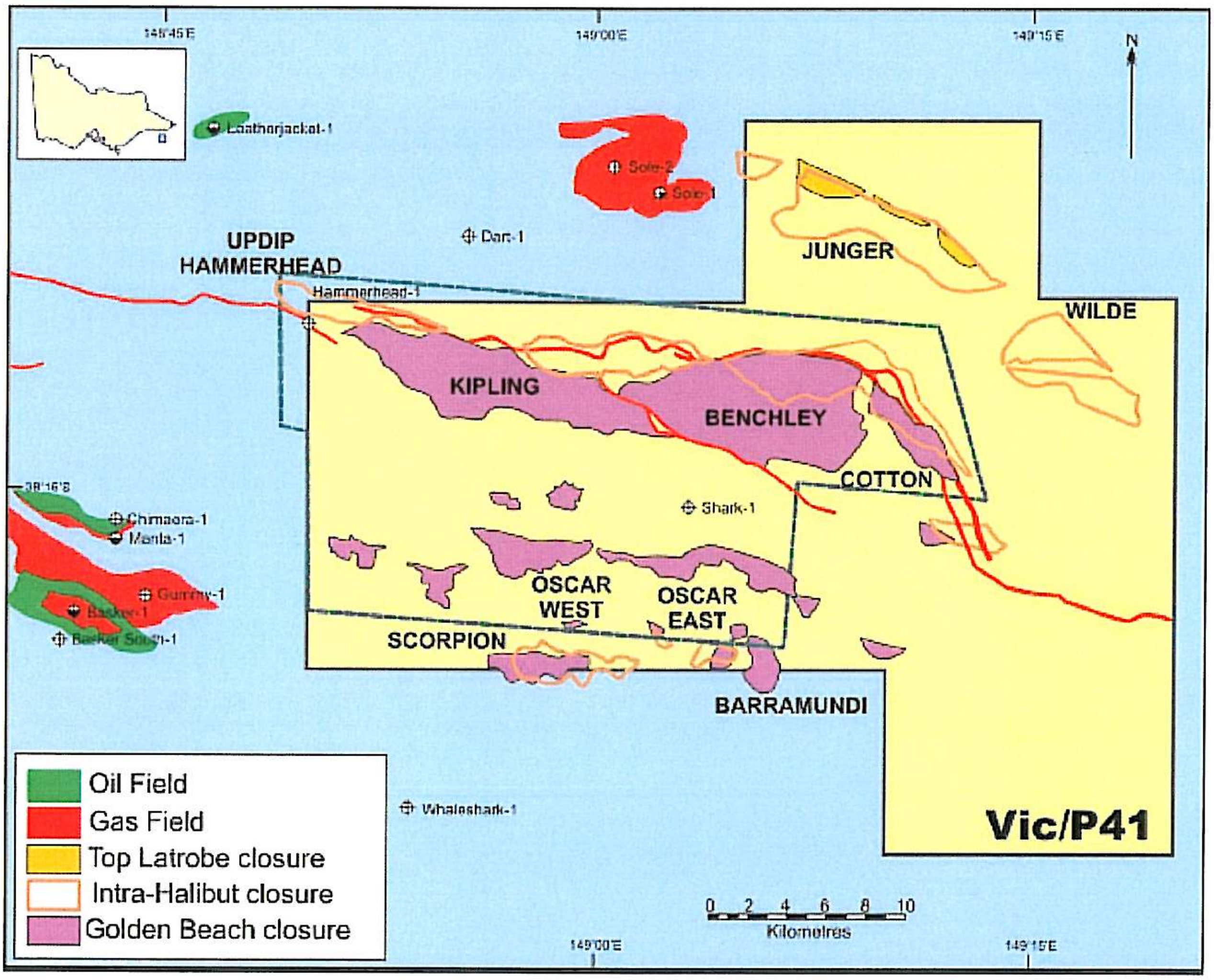

Figure 2
Permit Vic/P41 Prospects & Leads Map

Offshore Gippland Basin Permit Vic/P41 (Figure 2) is regarded as a highly prospective (medium risk / high reward) permit close to production infrastructure with three 3D defined "drill-ready" Kipper look-alikes gas/oil prospects Kipling, Benchley and Cotton (refer to Figure 3). In addition, a second trend is evident in the south of the Permit, including the 3D defined "drill-ready" Basker-Manta look-alikes oil prospects Oscar West and Oscar East.

(c) Quarterly Activities

The joint venturers are presently seeking farmin parties to earn an interest in Vic/P41 by funding the drilling of its 3D defined prospects. Timing of any potential drilling is dependent on the following:

I. Availability of a semi-submersible drilliong rig in the Gippsland Basin (unlikely prior to second quarter 2008); and/or
II. Progress of farmout negotiations.

Late in the quarter, the Operator BAS reported the appointment of Dr Keith Jackson as Exploration Manager and Martens Petroleum Consulting to boost its established exploration team's geotechnical capacity.

(e) Future Activity

Prospect mapping and assessment by the Operator based upon the Joint Venture's 2005 Oscar 3D seismic has now been finalized (as reported in detail in the June 2007 Quarterly OBL's potential net share of potential prospective resources, subject to completion of the farmins is circa 94.3 MMBoe). Several significant prospects have been mapped on the 3D and there are also several high potential leads still defined only on 2D seismic. Work is continuing on the potential of a new play type in the older Emperor Subgroup Formation (ie a formation which has the potential to contain "Longtom style" tight gas plays) within the Vic/P41 permit.

CANNING BASIN

1. Blina Back Reef Play Joint Venture Area (OBL rights to 50%)

(a) Joint Venture Interests

OBL presently has formal legal and beneficial rights to 35% and formal rights to increase this interest to 50% in the Blina Back Reef Play Joint Venture Area. Following the completion of the Backreef-1 well, the joint venture interests will be as follows:

Backreef Oil Limited **("BOL")** Note 3	35% (Operator) reducing to 20%
Terratek Drilling Tools Pty Ltd **("Terratek")** Notes 1, 2 & 3	30%
Oil Basins Limited (or nominee) Note 3	**5% with rights to increase to 20%**
OBL Backreef No.5 Pty Ltd Note 3	**5%**
OBL Backreef No.10 Pty Ltd Note 3	**10%**
OBL Backreef No.15 Pty Ltd Note 3	**15%**

Note 1 Terratek is now 100% owned by Arc Energy Limited **(ASX code ARQ)** but was previously owned by Golden Dynasty Resources Ltd – ARQ acquired this company in April 2007.

Note 2 Golden Dynasty retains Option to attain net 10% from ARQ and owns a 2% ORRI payable by Arc Energy

Note 3 European Gas Limited (ASX code EPG) owns a 3% ORRI and Budside Pty Ltd owns a 1% ORRI over EP129, but excluding L6 & L8 – these royalties are payable by ARQ and OBL (and/or nominee).

(b) Location

The Blina Back Reef Play Joint Venture Area (Figure 3), covers some 354 square kilometers, and is contained within contiguous segments of Production Licence L6 and Exploration Permits EP 129, Parts R2 & R3. Unlike many prospects previously drilled in the Canning Basin, the target of the Blina Back Reef Play Prospect is not a Devonian reef but a previously undrilled high-risk / high-reward stratigraphic trap postulated to occur within the Devonian aged clastic turbidites *(Virgin Hills Fm)*.

The Prospect is located within an unique area called the **"Kimberley Downs Embayment"** which is a half graben forming a restricted marine embayment. The embayment is bounded by the Harold and Blina carbonate platform and reefal systems to the southwest and northeast respectively, opening to the ancient Devonian sea to the southeast.

The Blina Back Reef Play Joint Venture Area is situated to the northeast of and close to the Blina, Sundown and West Terrace oilfields (Figure 3) and is prognosed by the Operator BOL to contain a large Devonian back reef turbidite fan play, with gross oil potential prospective recoverable resources estimated at 270 MMBbls.

In addition the Kimberley Downs Embayment is thought to contain a number of potentially prospective stratigraphic onlaps which are presently being reviewed in the light of recent nearby drilling operations by Arc Energy Limited.

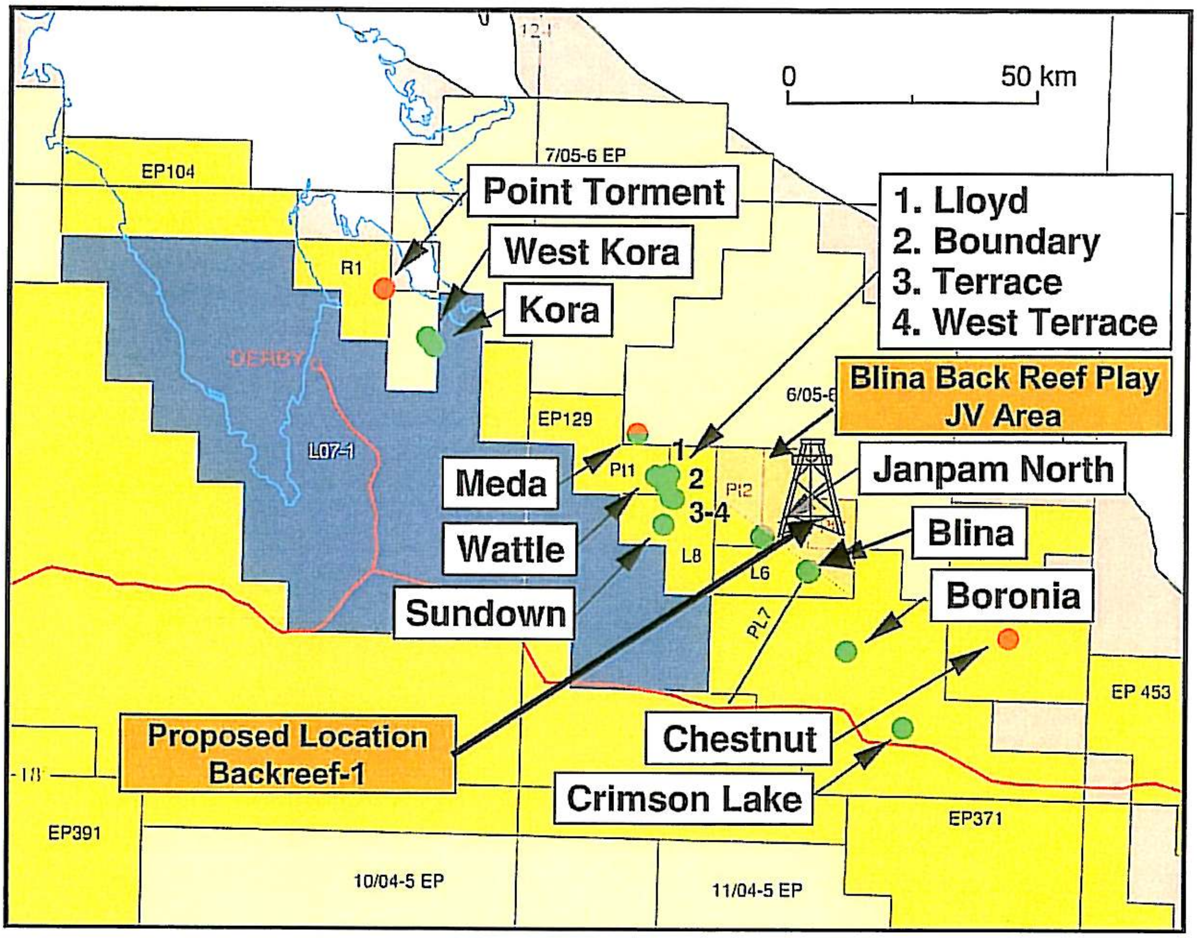

Figure 3
Blina Back Reef Play Joint Venture Area

(c) Quarterly Activities

On 22 August 2007 OBL obtained formal registration from the Government of Western Australia's Department of Industry and Resources (WA DoIR) for all the Farm-In dealings for 35% of the Blina Back Reef Play Joint Venture Area including the commercial registration of the split of its initial 35% holding into the three wholly owned subsidiaries (as detailed above).

The Company's interests are now **'deal-ready'** and during the quarter engaged IndigoPool to assist in marketing its Blina Back Reef Play Joint Venture Area to third parties.

(c) Future Activities

The Company is firmly committed to divesting a portion of the Blina Back Reef Play Joint Venture Area so as to assist the funding requirements of Backreef-1 and maximize the leverage for OBL shareholders.

2. Drilling Reservation 9 (OBL rights to 20%)

(a) Joint Venture Interests

The DR9 Joint Venture will, remains subject to conditional Farm-Ins, which presently consist of:

Backreef Oil Limited **("BOL")**	80% (Operator) reducing to 50% (subject to farmout to Backreef)
Backreef Resources Limited **("Backreef")**	30% (subject to farmin with BOL)
Oil Basins Limited (or nominee)	**20% (subject to farmin with BOL)**

(b) Location

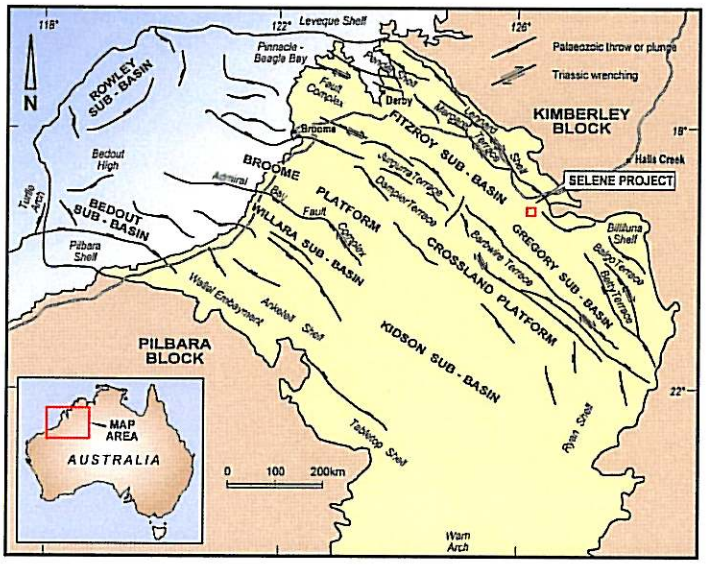

Figure 4
General location of Canning Basin & Selene Prospect

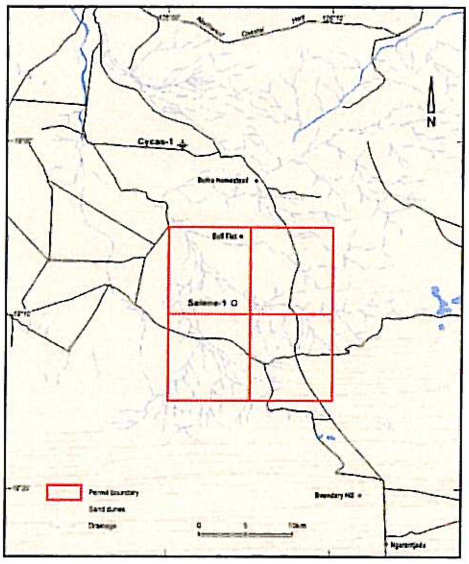

Figure 5
Drilling Reservation DR9

Drilling Reservation DR9 *(previously Application for Drilling Reservation1/06-7)* is situated in the Northern Fitzroy Trough, onshore Canning Basin, Western Australia some 550km due east of Broome Figures 4 and 5). The Selene Prospect is located basinward of the Harvey Fault System. The proposed location for the Selene-1 well is on seismic line ED 82 - 14, SP 178. Unlike the Backreef Prospect, the Selene Prospect is a conventional 4-way dip closure sandstone objective. A well drilled to 2,000m at this location would provide a crestal test of the Grant Group. The Operator has prognosed a potential prospective recoverable resource of upto 84 MMBbls (upon discovery).

(c) Quarterly Activity

No activity occurred during the quarter and future short-term drilling activity activity is dependent upon the successful ASX Initial Public Offering, Backreef Resources Limited **("Backreef")** which opened on 8 August 2007 as at the time of this quarterly has been extended twice.

LIKELY DEVELOPMENTS

OBL remains committed to its strategic plan to Farm-out both Canning & Gippsland interests so as to facilitate

I. drilling of the significant prospects inventory as soon as possible,
II. monetise assets (ie implied via realised third party Farm-out valuations) and
III. creation of wealth for shareholders as part of any asset Farm-out or trading process.

CORPORATE

During September OBL presented at the RIU Good Oil Conference refer to the Company's website (details below).

In conjunction with Backreef Oil Limited the Company has bid for Canning Basin Exploration Permit L07-1 (refer to Figure 3 for permit location).

OBL believes given the current high crude oil pricing environment that this is an attractive and prospective permit. Further, should the Application be successful, the Company believes that the proposed Joint Venture will offer the WA DoIR both diversity of Canning Basin exploration permit ownership concentration and focussed exploration of largely untested and prospective play types.

During the quarter, the Company also considered bidding for a mature offshore production property but declined to enter the dataroom after a review of the preliminary confidential data.

CASH POSTION

Cash held at 30 September 2007 was $0.905 million.

This release will be available on the Company's website at www.oilbasins.com.au

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.

The technical information quoted has been complied and / or assessed by Company Director Mr Neil Doyle who is a professional engineer (BEng, MEngSc - Geomechanics) with over 26 years standing and has been a full and continuous member of the US Petroleum Engineers since 1981 and by Mr Geoff Geary who is a professional geologist (Bachelor Science – Geology) with over 26 years standing and who is also a Member of 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.

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
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 circa 6,000 Bcf dry methane on an energy equivalent basis)