



OIL BASINS LIMITED
ABN 56 006 024 764

Suite 304, 22 St Kilda Road, St Kilda Victoria 3182 Australia
Telephone: (+61 3) 9692 7222 Facsimile: (+61 3) 9529 8057
Email: admin@oilbasins.com.au Website: www.oilbasins.com.au

12 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.2***

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 commencement of drilling operations at Backreef-1, Backreef Area Canning Basin, onshore Western Australia (**WA**):

1. Early on 11 October 2010, the Hunt Energy and Mineral Co. Rig 3 (Hunt Energy Rig 3) rig-up was complete and all systems were tested and commissioned.
2. Following the Pre-spud Meeting, the Backreef-1 well was spudded at 2:30pm WST 11 October 2010.
3. As at 6:00am WST 12 October Backreef-1 was at a depth of 204m RT and drilling ahead in the Noonkanbah Formation with a 311mm (12-1/4 inch) diameter hole to 650m RT. No coals were observed in the Liveringa Formation.
4. The updated Backreef-1 time versus depth curve is attached (Figure 1).

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

By funding 100% of the drilling and completion costs of Backreef-1, OBL is earning upto 90% of Backreef-1 and the Backreef Area.

Kim McGrath
Chairman

Backreef-1

Time vs Depth Curve

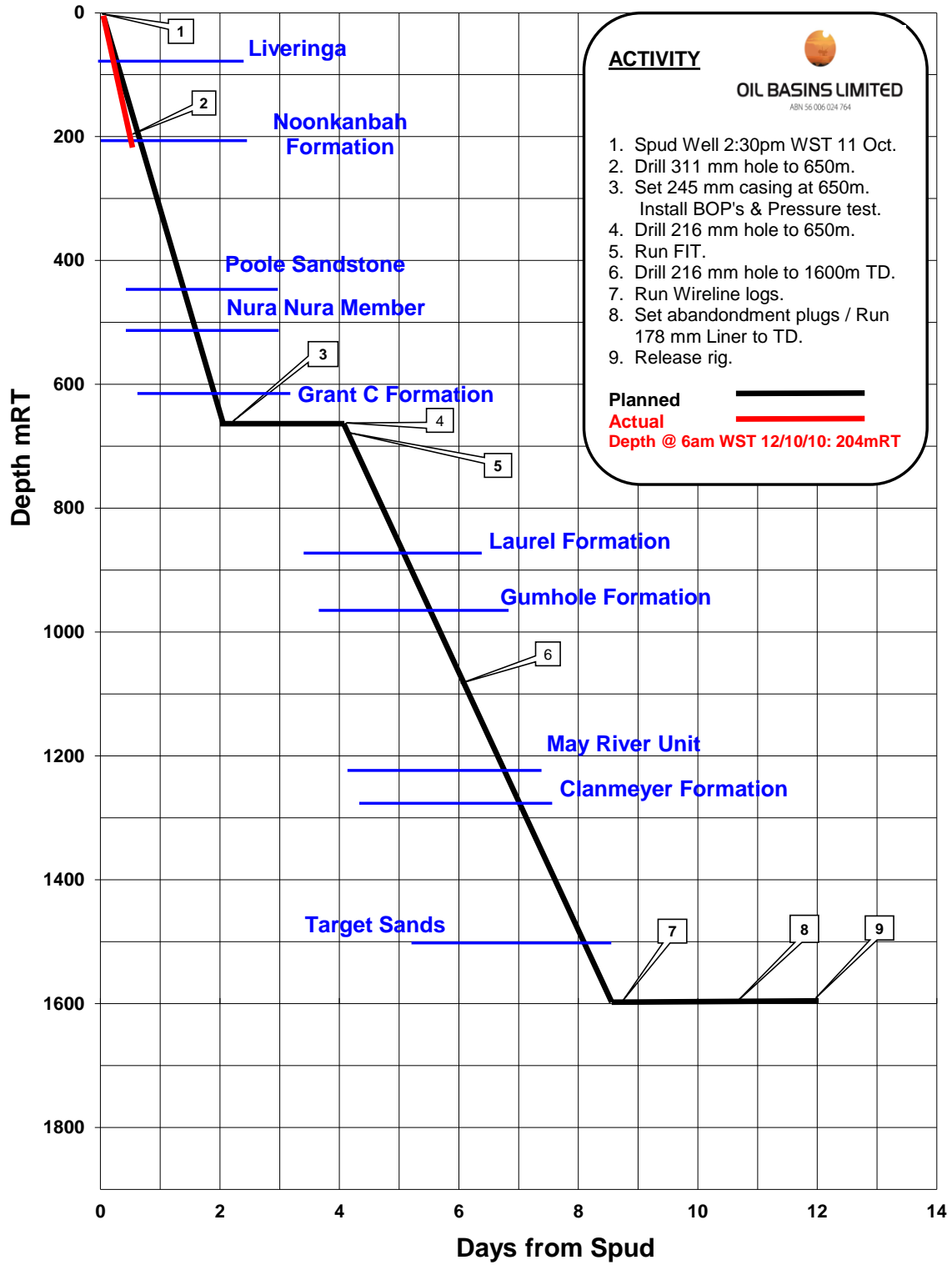


Figure 1