



OIL BASINS LIMITED

ABN 56 006 024 764

QUARTERLY REPORT SEPTEMBER 2008

Oil Basins Limited (ASX code **OBL** or **Company**) is pleased to present its September 2008 Quarterly Report.

HIGHLIGHTS FOR THE QUARTER

- Completed the previously announced acquisition of a 25% interest in Retention Lease R3 (Cyrano), Carnarvon Basin (for an overall gross OBL cash expenditure of \$66,667 and the issue of 833,333 new OBL ordinary shares at 11 cents per share).
- Completed Geological and Geophysical Assessment of Emika-1, Drilling Reservation 9, Canning Basin.
- Company is pleased to report that Application V07-3, Gippsland Basin has been offered to a consortium which includes OBL. On subsequent acceptance of the offer by all consortium members. OBL will hold a 17% interest.
- Company commenced legal action against ARC Energy Limited with respect to its long-held interests in the Blina Back Reef Play JV Area, Canning Basin. The Company remains confident that a satisfactory resolution of this dispute can be achieved.

COMPANY'S EXPLORATION INTERESTS

OBL holds rights to interests in three (3) offshore and three (3)* onshore petroleum exploration permits in Australia (**Figure 1**), as follows: The Company, since its Initial Public Offering (**IPO**) listing on the ASX on 23 August 2006, has significantly expanded its initial portfolio of two permits, at very modest cost to-date, and now has formal Rights to earn:

- 12.5% (Vic/P41) situated in offshore Gippsland Basin,
- 50% Rights to Blina Back Reef Play JV Area*, 20% Rights DR9 and 50% interest in EP5/07-8 all situated in onshore Canning Basin,
- 25% Retention Lease R3 situated in offshore Carnarvon Basin.

In addition, the Company has an Application pending in one offshore Gippsland Basin Application Area (**V07-3**) where rights are yet to awarded by the Designated Authority.

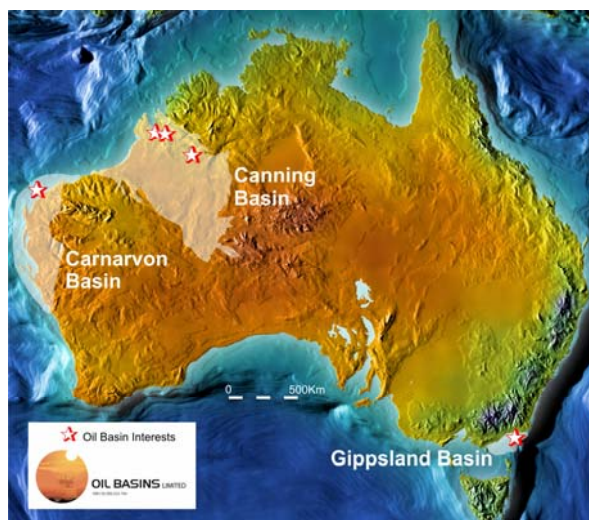


Figure 1
Oil Basins Exploration Interests

* Subject to a legal dispute with ARC Energy Limited

GIPPSLAND BASIN – VIC/P41

Location

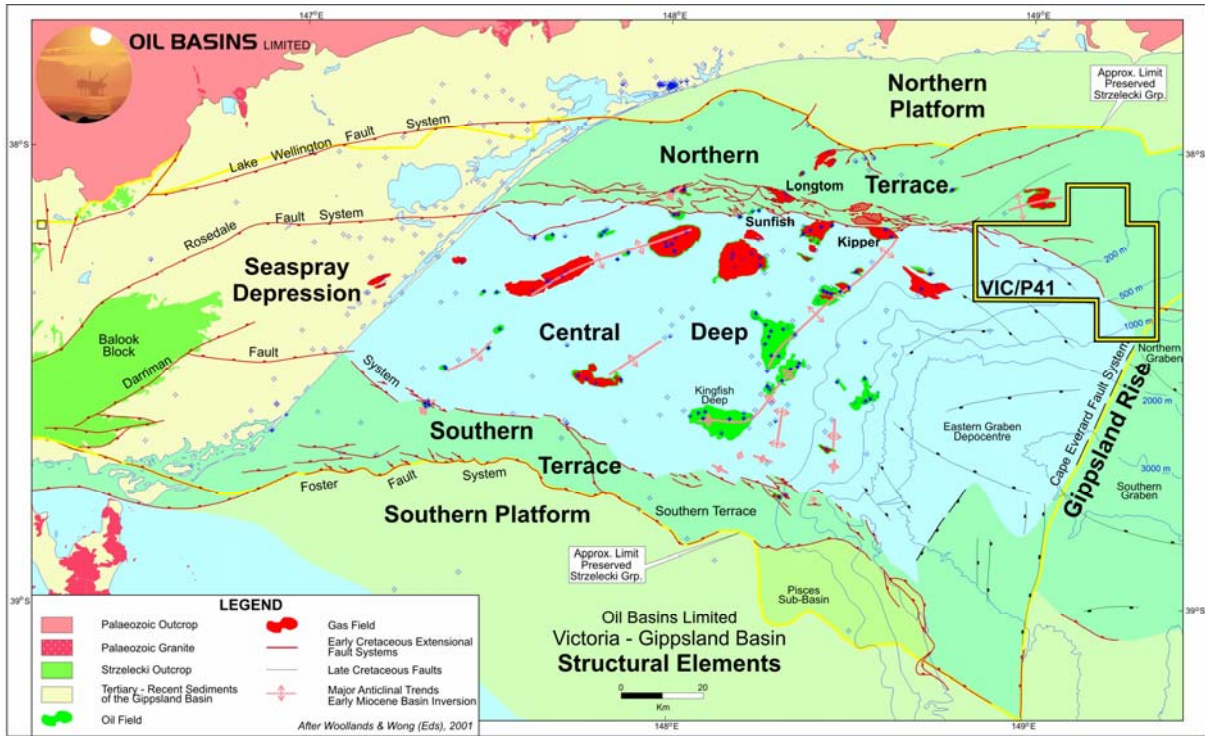


Figure 2
Location of Permit Vic/P41 Offshore Gippsland Basin

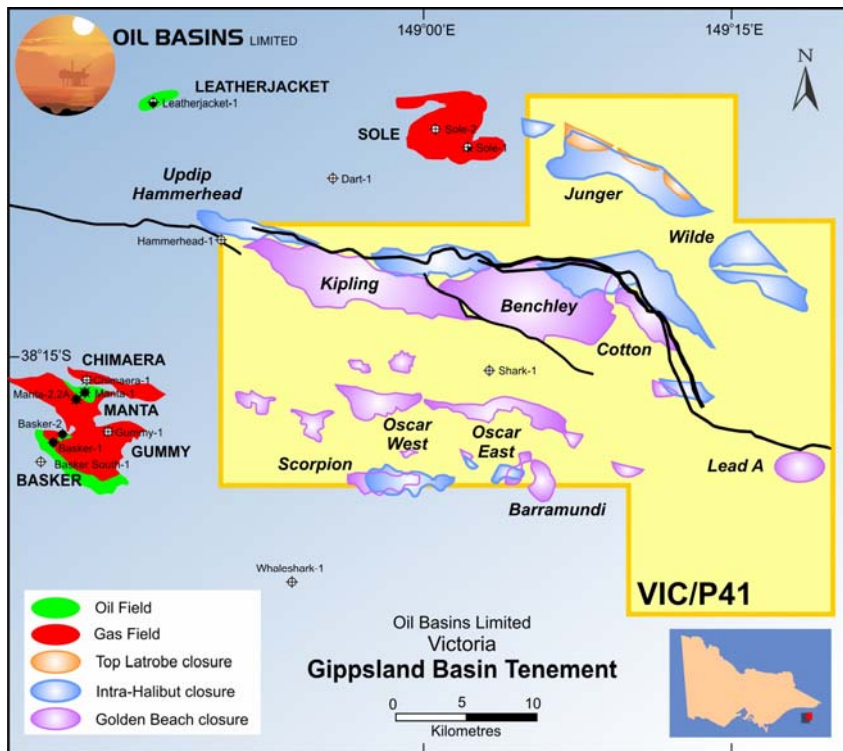


Figure 3
Permit Vic/P41

Ownership (OBL - Rights to 12.5%)

The Vic/P41 Joint Venture consists 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)
Strategic Energy Resources Limited (ASX code: SER)	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 SER)
Over-riding Royalties	Nil

Update

Permit Vic/P41 is located in the offshore Gippsland Basin, approximately 40 km south of the eastern Victorian coast (see location map **Figure 2** above).

The 2008 2D survey (see **Figure 3** above), which is now being processed, recorded a total of 295 km of new seismic data in the east of the permit and has fulfilled the Vic/P41 Year 3 work programme commitment, which called for a 250 km 2D seismic survey by September 2009.

The Joint Venture accelerated the Vic/P41 2D seismic commitment in order to better define the eastern area of the permit, where several leads are defined only on sparse existing data. Interpretation and mapping of the new data will take place over the next several months or more. Integration of the 2008 survey results with existing data will provide an updated understanding of the area's potential.

The western area of Vic/P41 was covered by 3D seismic in 2005. Based on this 3D survey data, several large prospects along the Rosedale Fault trend are interpreted as analogous to the Kipper oil and gas field, which lies on-trend to the west, outside Vic/P41. Development plans for Kipper have been announced targeting first production for 2011.

Further to the south within Vic/P41, 3D seismic also defines the Oscar prospects, which are interpreted to be on-trend with and analogous to the producing Basker / Manta / Gummy (BMG) fields, which are outside the permit area to the west. BMG commenced oil production in December 2006. While the Vic/P41 3D-defined prospects are ready to be tested, the timing of any potential drilling is dependent on the availability of a semi-submersible drilling rig slot in the Gippsland Basin (with current scheduling indicating potential availability in late 2009) and on the progress of farmout negotiations.

GIPPSLAND BASIN – V07-3 (Application Pending)

In early April 2008, the Company joined an undisclosed consortium bidding for offshore Gippsland Basin Application Area (V07-3) situated immediately due East and contiguous to Vic/P41).

Company is pleased to report that Application V07-3, Gippsland Basin has been offered to a consortium which includes OBL.

On subsequent acceptance of the offer by all consortium members. OBL will hold a 17% interest.

CANNING BASIN

(A) BLINA BACK REEF PLAY JOINT VENTURE AREA (OBL Rights presently subject to Litigation)

Location

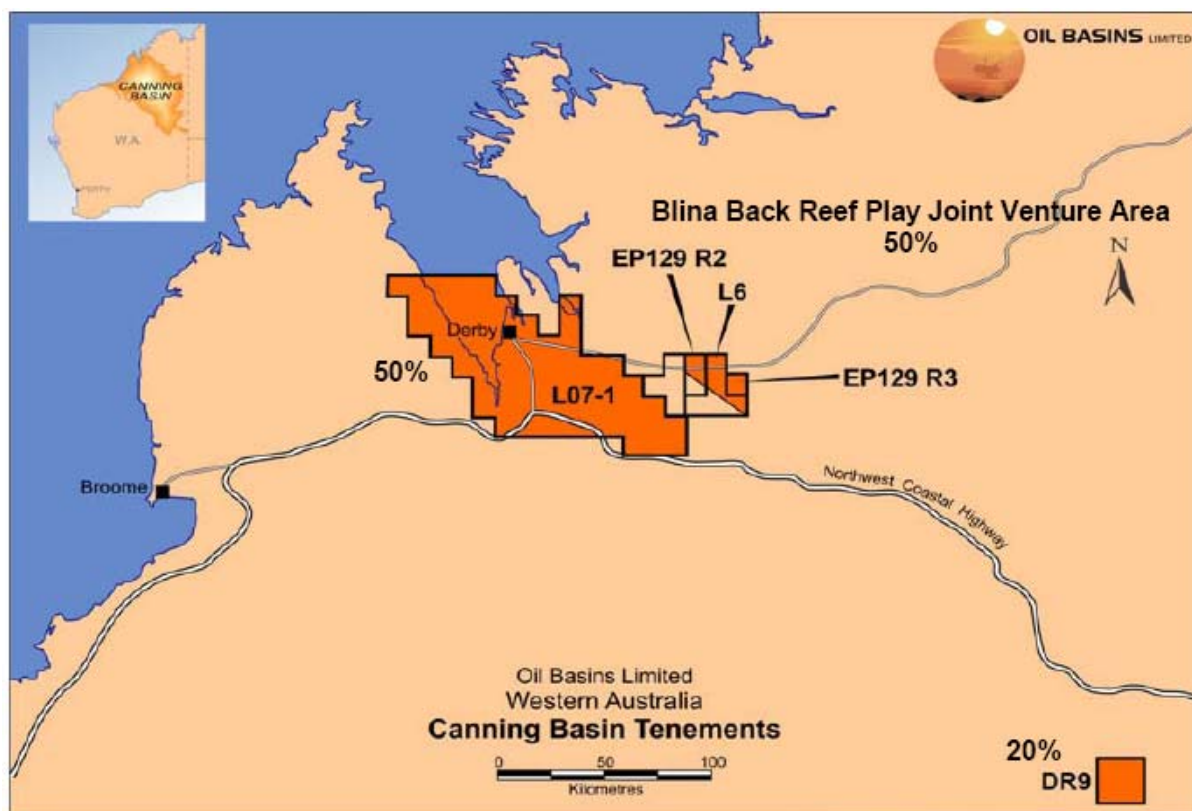


Figure 4
Oil Basins Limited's Canning Basin interests (*pre-ARC Energy Limited Dispute*)

Commencement of Legal Action against ARC Energy Limited

On 1 August 2008, OBL announced that it was taking legal action in the Supreme Court of Western Australia against ARC Energy Limited (**ARC**) with respect to certain claimed infringements of its 3 Year Confidentiality and Non-Circumvention Agreement between ARC and the Company dated 8 November 2008.

On 4 August 2008, OBL announced that it has without prejudice to the legal action entered into a Deed of Covenant with ARC to confirm its Rights to 50% of the Blina Back Reef Play JV Area jeopardised by ARC actions and the proposed Scheme of Arrangement with Australian Worldwide Energy Limited (ASX code **AWE**) and the spin-off of wholly Canning Basin focused Buru Energy Limited (ASX code **BRU**).

On 11 August 2008, OBL announced that it had successfully sought orders in the Federal Court that permits the Company to join BRU into its Supreme Court action against ARC.

On 2 September 2008, OBL and its partner Backreef Oil Limited (**Backreef**) claimed Force Majeure against ARC.

On 16 September 2008, the Company undertook further legal action in the Supreme Court of Western Australia against ARC with respect to its purported Notice of Termination of the Backreef Farm-In.

The Company remains confident that a satisfactory resolution of this dispute can be achieved.

(B) DRILLING RESERVATION 9

Location

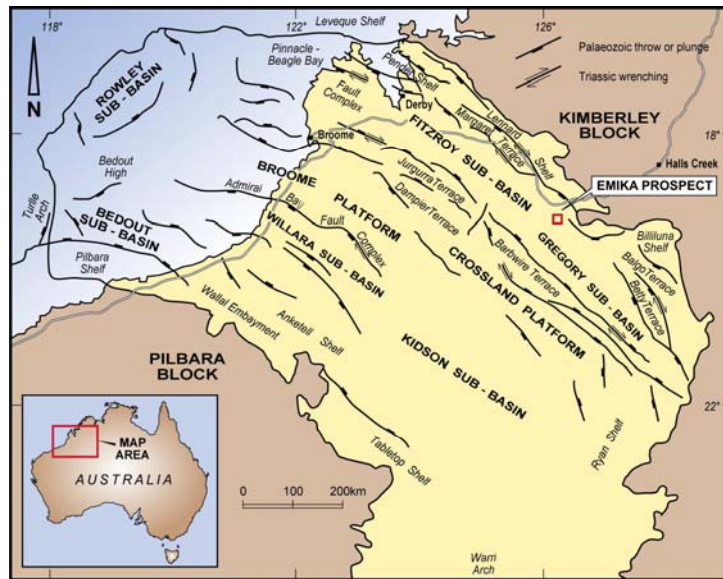


Figure 5
General location of Canning Basin & Emika Blocks

Ownership (OBL - Rights to 20%)

Following satisfactorily executing the Farm-In Agreement(s), the joint venture interests will be as follows:

Backreef	80% (Operator)
Oil Basins Limited (or Nominee)	20%

Update

Re-mapping of the Emika prospect within DR9 (**Figure 5**) formerly known as Selene prospect (previously mapped by Socdet) within onshore Western Australian exploration permit Drilling Reservation 9 (DR9) is now complete and will be the subject of a more comprehensive disclosure by the Company during November 2008.

The Company is pleased with this new interpretation work and may seek to increase its overall interest ahead of drilling of Emika prospect (now potentially rescheduled for first half 2009).

During the quarter the Operator Backreef met with the Kimberley Land Council with respect to Aboriginal Heritage discussions.

Prospectivity

The Company has recently commissioned an Independent Geological Assessment of DR9 and in particular the Emika prospect and OBL regards this as an important step in the finalisation of third party farmin and overall funding arrangements of Emika-1 and in OBL's endeavours for a partial sale of an interest in DR9 ahead of drilling Emika-1.

The Company is also looking to release this independent assessment to the ASX during November 2008.

(C) EXPLORATION PERMIT 5/07-8 EP

Ownership (OBL - 50%)

Following satisfactorily executing stakeholder and authorities agreements, the joint venture interests will be as follows:

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

Update

During the quarter the operator Backreef met with the Kimberley Land Council with respect to Native Title discussions.

Todate no significant expenditures are anticipated to occur until approval from all relevant stakeholders and authorities are attained (late 2009).

CARNARVON BASIN – RETENTION LEASE R3

Location

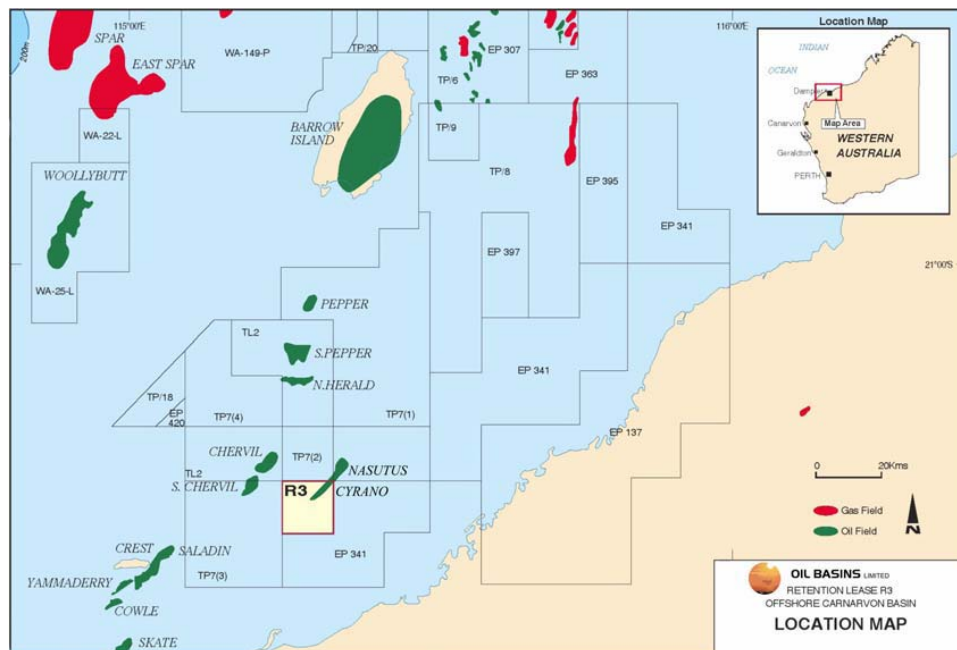


Figure 6
Location of Retention Lease R3 (Cyrano), Offshore Carnarvon Basin

Ownership (OBL - 25%)

Post joint venture and regulatory approvals on both transactions, the new R3 lease holders will be:

Tap (Shelfal) Pty Ltd ("TAP Oil", a wholly owned subsidiary of Tap Oil Limited)	75% (Operator)
Oil Basins Limited	25%

Update

On 16 June 2008, the Company announced to the ASX that it had concluded an agreement with AIM Listed Black Rock Oil & Gas Plc to acquire a direct 15% interest in petroleum exploration Retention Licence R3 (Cyrano) which contains the undeveloped Cyrano Oil Field, located in offshore Carnarvon Basin, Western Australia (**Figure 6**). The overall consideration for this transaction was \$40,000 plus 500,000 ordinary OBL shares. On 11 July, 2008, OBL announced to the ASX that the Company had concluded an agreement with

the relevant Norwest Energy NL (ASX code NWE) subsidiary to acquire a direct 10% interest in petroleum exploration Retention Lease R3 which contains the undeveloped Cyrano Oil Field, located in offshore Carnarvon Basin, Western Australia. The overall consideration for this transaction was \$26,667 plus 333,333 ordinary OBL shares.

On 9 September 2008 The Company advised the ASX that as both transfers have now attained all joint venture partner consents and formal lodgement and registration with the West Australian Department of Industry and Resources (**DoIR**) has occurred. OBL subsequently finalised the agreed payments with all vendors (for an overall gross OBL cash expenditure of \$66,667 and the issue of 833,333 new OBL ordinary shares at 11 cents per share).

The Company has been subsequently recently advised that this DoIR registration is now imminent.

Earlier during August 2008 OBL has held initial and constructive discussions with the operator Tap Oil. No new work has been reported by the operator during the quarter

CASH POSITION

Cash held at 30 September 2008 was \$0.254 million.

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

31 October 2008

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.

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 26 years standing and 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 26 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.

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
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

ABOUT OIL BASINS LIMITED

Oil Basins Limited (**ASX codes OBL & OBLO**) 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).
- Comprehensive operational experience in all facets of upstream and downstream energy sectors – upstream includes all facets of offshore (platform, subsea and FPSO) and onshore oil and gas developments – downstream includes LPG, LNG, CNG 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.
- Since listing in August 2006, OBL has successfully executed a number of farmin agreements with independents and has steadily built up a portfolio of assets containing over 250MMbbls of prospective potential resources – adding circa 98MMboe during 2007.
- After conducting its own technical peer reviews, OBL is presently advanced on farming out a number of interests in both the Gippsland and Canning Basins.

DIRECTORS & MANAGEMENT

Kim McGrath	Chairman
Neil Doyle SPE	Director
Graeme Menzies	Director
Melanie Leydin	Company Secretary
Geoff Geary	Technical Consultant

WEBSITE

www.oilbasins.com.au