

BASS STRAIT OIL COMPANY LTD

ABN 13 008 694 817

CORPORATE GOVERNANCE SUMMARY

The Company has adopted the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

Recommended reporting on Corporate Governance Principles includes disclosures in the Corporate Governance Section of the Company's Annual Report and the posting of material on the Company's website.

The following material is posted in accordance with the Principles noted.

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1.1. CODE OF CONDUCT

The corporate goal of Bass Strait Oil Company Ltd (“BAS” and “the Company”) is to build an energy business providing lasting growth in shareholder value while at the same time maintaining a reputation for integrity and fairness.

It is considered that this Code of Conduct will help the Company maintain high standards of honesty and responsibility and enhance the Company’s reputation for fair and responsible dealing. The Code is a set of values to guide all directors and employees in the conduct of the business. It is intended that the Code complies with current best practice for corporate governance in the community in which we operate.

Directors, officers and employees will apply the principles set out in the Code of Conduct to relationships with each other, with the Company and with all the people with whom they deal in their work. Directors and employees are personally responsible for behaving according to the Code and, if the need arises, for reminding others of their obligation to do likewise. Failure to comply with the Code may result in the Board requiring the resignation of the Director, officer or employee who has failed to comply. Any instances of violation of the Code will be reported to the Board.

Any particular situation involving the Code of Conduct can be tested by asking the question - “What is the right thing to do?” Accordingly, the Code of Conduct is the most important document issued by the Company to its employees and Directors and the five principles are to be regarded as a minimum standard.

The Code of Conduct shall be provided to all employees and Board members requesting that each employee/Board member be familiar with the Code and that they conduct themselves in accordance with the requirements of the Code. The Secretary of the Audit Committee is responsible for initiating this process each year and maintaining records of compliance.

THE FIVE PRINCIPLES OF THE CODE OF CONDUCT

- We will respect the law and act accordingly
- We will not allow personal interests, or interests of any associated person, to cause loss or injury to the Company.
- We will use the Company’s assets (including funds, information, equipment) responsibly and in the best interests of the company
- We will conduct ourselves with integrity, be fair and honest in our dealings and treat others with dignity
- We will be responsible for our actions and accountable for their consequences

1.2 HEALTH SAFETY AND ENVIRONMENT POLICIES

Until the establishment of a separate committee for the purpose, the Board will act as the health, safety and environment committee by considering specific agenda items at every board meeting.

- The Board will adopt as required, project and activity specific Health, Safety and Environment (HS&E) Policies and related procedures, and ensure compliance with these policies.
- The Company has adopted the APPEA Codes of Conduct and related procedures that pertain to an office/commercial environment.
- The Chief Executive Officer is accountable for providing executive leadership to ensure the company's HS&E policies met and procedures complied with on a day to day basis.

To prevent or minimize any possible HS&E impact as a result of its operations, the Company and all of its subsidiary companies commit, and will encourage its employees and those companies providing services to the Company or its subsidiaries to commit, to:

- Develop and maintain management systems and policies to identify, control and monitor risks and compliance with government regulations and industry guidelines;
- Comply with applicable laws, regulations, standards and guidelines for HS&E and in their absence adopt the best practicable means to prevent or minimise adverse impacts;
- Work and consult with appropriate government agencies drafting policies laws, regulations or procedures to HS&E;
- Provide adequate training to enable employees to adopt responsible work practices and to be aware of their HS&E responsibilities;
- Develop emergency plans and procedures so that incidents can be managed in a timely and effective manner; in harmony with authorised government agencies.

Monitor HS&E effects and audit HS&E performance at all stages of exploration, development, production and rehabilitation; and communicate openly with government, non-government bodies and the public in a timely manner on environmental issues, which relate to the Company's operations.

SAFETY POLICY STATEMENT

BY CHIEF EXECUTIVE OFFICER

At Bass Strait Oil Company Ltd., our goal is to always make Safety an essential and integral part of the way we conduct our business.

We are committed to achieve and maintain safety as an instinctive behaviour for everybody associated with Bass Strait Oil.

We recognise that safety is a state of mind, so encourage every employee to develop and maintain a responsible, self-disciplined attitude to their own and others' safety. Safety as a way of thinking about work is characterised by behaviours such as:

- anticipating problems before they occur;
- a continuous careful, alert analysis of our working environment; and,
- a disciplined approach where we all take responsibility for our actions.

Management recognises that it has, and those who provide services on behalf of Bass Strait Oil have, a responsibility to provide a safe work place and safe systems of work. To ensure this responsibility is fulfilled Bass Strait Oil will provide and shall want its contractors to provide the required information, resources and training.

To ensure we maintain ourselves as a leader in Safety, there will be a continuous process of monitoring, and evaluation of our procedures, equipment and operations to assure that our practices are always the best available.

Safety will always remain a fundamental part of the way we do things at Bass Strait Oil.



Andrew Adams
Chief Executive Officer
September 2005

ENVIRONMENT POLICY STATEMENT

BY CHIEF EXECUTIVE OFFICER

To prevent or minimise any possible environmental impact as a result of its operations, Bass Strait Oil Company Ltd. commits itself, and will encourage those companies providing services to Bass Strait Oil, to:

- comply, at a minimum, with applicable laws, regulations, standards and guidelines for the protection of the environment and in their absence adopt the best practicable means to prevent or minimise adverse environmental impacts;
- work and consult with appropriate government agencies drafting policies laws, regulations or procedures to protect the environment;
- ensure that adequate waste management practices are carried out based on the prevention, minimisation, recycling, treatment and disposal of wastes;
- provide adequate training to enable employees to adopt environmentally responsible work practices and to be aware of their environmental responsibilities;
- develop emergency plans and procedures so that incidents can be responded to in a timely and effective manner;
- develop and maintain management systems to identify, control and monitor risks and compliance with government regulations and industry guidelines;
- monitor environmental effects and assess environmental performance at all stages of exploration, development, production and rehabilitation; and
- communicate openly with government, non-government bodies and the public in a timely manner on environmental issues which relate to Bass Strait Oil operations.



Andrew Adams
Chief Executive Officer
September 2005

1.3 SHARE TRANSACTION POLICY

The Company's share transaction policy provides guidelines for the designated officers in regard to transactions in the Company's securities in keeping with Company's Corporate Governance Policy.

All designated officers are required to be familiar with the Company's continuous disclosure obligations and this policy in regard to transactions in the Company's securities. The designated officer conducting a trade is responsible and accountable for ensuring any trade they conduct complies with the law and this policy.

A. Designated Officer

The policy applies to all members of the board, the company secretary, and all employees, consultants/contractors from time to time to whom the Board, on the advice of the Chief Executive Officer, consider the trading policy should apply. The Chief Executive Officer is responsible for ensuring the trading policy forms part of relevant contractual arrangements with those consultants/contractors to whom the board has decided the policy should apply.

B. Transactions

Designated Officers may conduct transactions in the Company's securities except during drilling operations in which the Company is participating, and at any other time when in possession of confidential information which is not generally available and which would be expected to have a material effect on the price of ASX listed securities.

2.1 BOARD CHARTER

INTRODUCTION

The Board of Directors is appointed by Shareholders and is responsible for the activities of the company in accordance with legal and regulatory requirements and the company's constitution.

ROLE OF THE BOARD

The primary role of the Board is to create shareholder wealth (with a long term bias) and in that context to have due regard to the interests of other stakeholders. The Board achieves this by:

- providing leadership of the company
- ensuring that the Company has effective processes and systems.
- setting, overseeing and maintaining the Company's values, corporate governance framework
- safeguarding the reputation of the Company
- ensuring there is an effective balance of responsibility between the Chief Executive Officer ("CEO") and the Board
- ensuring necessary financial and human resources are available
- ensuring that the performance of management, and the Board itself, is regularly assessed and monitored.
- promoting a culture where transparent and timely information is shared between management and Board.
- ensuring effective communication with shareholders.
- appointing, reviewing the performance of, and terminating the Chief Executive Officer.

COMPOSITION OF THE BOARD

The Board should comprise not more than seven Directors with an appropriate range of skills, experience and expertise who have a proper understanding of and competence to deal with the current and emerging issues of the business, and who can effectively review and challenge the performance of management and exercise independent judgment.

There is no maximum term for Directors however one third of Directors (other than a managing director) shall retire on a rotational basis at each annual general meeting in accordance with the provisions of the Company's constitution.

On appointment, Directors will be issued a letter of appointment which sets out the terms and conditions of their appointment.

SELECTION OF NEW DIRECTORS

In selecting new members for the Board, Directors shall have regard to the appropriate skills and characteristics needed by the Board as a whole. The Directors shall endeavour to appoint individuals who would provide the mix of characteristics and diverse experiences, perspectives and skills appropriate for the company.

COMMITTEES

The Board will appoint committees to provide recommendations to the Board on any aspect of the Company's activities it considers necessary in accordance with the Company's constitution, principles of sound governance and the Corporation's Act.

The Board has established an audit committee, but given the Company's limited activities and limited resources, has not established committees to address specific areas such as, nomination & remuneration, risk management, and health, safety & environment: such issues are dealt with by the Board.

AUTHORITY

The Board is authorised to:

- investigate and review any matters within its area of responsibility;
- seek information from any Director, officer or employee of the Company or its affiliates or from any advisor, agent or representative of any of them.

ACCOUNTABILITIES

In undertaking its role and fulfilling its responsibilities, the matters reserved to the Board include, but are not limited to, the following:

- approving annual operating plans (including objectives, goals and strategies) and regularly reviewing achievement against plan.
- approving capital requirements.
- delegating certain authorities to management and monitoring the exercise of these authorities.
- approving remuneration of the Board and CEO.
- approving capital structure and dividend policy.
- approving half yearly and full year accounts, the annual report, and related reports to ASX and regulatory authorities.
- considering management proposals, including material capital expenditure and divestments and providing advice and approvals where appropriate.

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- maintaining corporate and Board values to ensure the Company acts with the highest ethical standards and integrity in accordance with all legal and regulatory requirements and otherwise in accordance with those management and government best practices appropriate to its business.
- approving and monitoring compliance with the Company's policies, charters and codes.

INDEPENDENT ADVICE

The Board or individual Directors (with the approval of the Chairman which will not be unreasonably withheld), may obtain independent professional advice it considers necessary, with the costs to be borne by the company.

RESPONSIBILITY OF INDIVIDUAL DIRECTORS

All Directors must comply with their corporate and legal duties and obligations when discharging their responsibilities as Directors.

These include:

- acting in good faith and in the best interests of the Company as a whole.
- acting with care and diligence and for proper purpose.
- refraining from making improper use of information gained through the position of Director and from taking improper advantage of the position of Director.
- avoiding conflicts of interest wherever possible and where conflicts arise complying with statutory and corporate duties regarding disclosure and voting.

BOARD MEETINGS

The Directors shall hold at least 6 meetings in each calendar year.

- The agenda for meetings is drawn up with input from the Chairman, the Chief Executive Officer and senior executives. Directors are free to nominate matters for inclusion on the agenda for each meeting.
- Material for Board meetings is circulated to the directors in advance.
- All members of the Board are expected to attend each meeting.
- The Board may invite such persons as it wishes to attend its meetings.
- The Board may conduct meetings by telephone or video conference.
- Circular resolutions which have been approved must be noted at the Board meeting immediately following their approval.

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MINUTES

Minutes of proceedings of all Board meetings are circulated to directors and signed by the Chairman, following approval by the Board at the subsequent meeting or earlier.

REVIEW OF BOARD PERFORMANCE

The Board will conduct a review of its performance relative to this charter annually, and the Chairman will review the performance of each Director annually.

REVIEW OF CHARTER

The Board will review this charter annually to ensure it remains consistent with the Board's objectives and responsibilities.

PUBLICATION OF THE CHARTER

This charter will be available on the Company's website and the key features will be published in the annual report.

2.2 AUDIT COMMITTEE CHARTER

Organisation

This charter governs the operations of the audit committee. The committee shall review and reassess the charter annually and obtain approval for changes from the board of directors.

Membership

The committee shall be members of, and appointed by, the board of directors and shall comprise at least two directors that have diverse, complementary backgrounds, and are independent of management and the Company. In addition, the committee chair shall have leadership experience and a strong finance, accounting and/or business background. All committee members shall be financially literate, or become financially literate within a reasonable period of time after appointment. Furthermore, at least one member shall have accounting and/or related financial management expertise as determined by the board of directors.

Members of the committee shall be considered independent so long as they do not have any relationship with the company that may interfere with the exercise of independent judgment. This means they shall not accept any material consulting, advisory, or other compensatory fee from the company and are not an affiliated person of the company or its related entities.

Meetings

The committee shall meet as necessary for the following purposes:

1. Review and approve audit plans.
2. Review and approve the half-year financial report.
3. Review and approve the annual financial report.
4. Monitor corporate governance functions.
5. Deal with any matters referred by the Board.

Furthermore, the committee shall meet in private session at least annually to assess management's effectiveness.

Purpose

The audit committee shall provide assistance to the board of directors in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, internal control structure, risk management systems, and audit functions. In doing so, it is the responsibility of the committee to maintain free and open communication between the committee, auditors, and management of the Company.

In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company. The committee shall request board authority to engage independent counsel and other advisers it determines necessary to carry out its duties.

Duties and Responsibilities

Understanding the business

The committee shall ensure it understands the company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the company in the current environment.

Financial reporting

The primary responsibility of the audit committee is to oversee the company's financial reporting process on behalf of the board and report the results of its activities to the board.

While the audit committee has the responsibilities and powers set forth in this Charter, it is not the duty of the audit committee to plan or conduct audits.

The board of directors is responsible for the company's financial reports including the appropriateness of the accounting policies and principles that are used by the Company. The auditor is responsible for auditing the Company's financial reports and for reviewing the Company's unaudited interim financial reports.

The committee's policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee will take appropriate actions to set the overall corporate 'tone' for quality financial reporting, sound business risk practices, and ethical behaviour. The following shall be the principal duties and responsibilities of the audit committee. These are set forth as a guide with the understanding that the committee may supplement them as appropriate.

Assessment of accounting, financial and internal controls

The committee shall discuss with management and the auditor, the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (including the Company's Code of Conduct). Any opinion obtained from the auditor on the company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

The committee shall meet separately periodically with management and the auditor to discuss issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The committee shall provide sufficient opportunity for the auditor to meet privately with the members of the committee. The committee shall review with the auditor any audit problems or difficulties and management's response.

The committee shall receive regular reports from the auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

Appointment of external auditors

The committee shall be directly responsible for making recommendations to the board of directors on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the auditor, including resolution of disagreements between management and the auditor regarding financial

reporting. The committee shall pre-approve all audit and nonaudit services provided by the auditor and shall not engage the auditor to perform any nonaudit / assurance services that may impair or appear to impair the auditor's judgment or independence in respect of the Company. The committee may delegate pre-approval authority to a member of the audit committee. The decisions of any audit committee member to whom pre-approval authority is delegated must be presented to the full audit committee at its next scheduled meeting.

Assessment of the audit

The committee, at least on an annual basis, shall obtain and review a report by the auditor describing (or meet, discuss and document the following with them):

- The audit firm's internal quality control procedures.
- Any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
- All relationships between the auditor and the Company (to assess the auditor's independence).

In addition, the committee shall set clear hiring policies for employees or former employees of the auditor in order to prevent the impairment or perceived impairment of the auditor's judgment or independence in respect of the Company.

Independence of the auditor

The Committee shall review and assess the independence of the auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the auditor's judgment or independence in respect of the Company. Furthermore, the Committee shall draft an annual statement for inclusion in the Company's annual report of whether the Committee is satisfied the provision of non-audit services is compatible with auditor independence.

Scope of the audit

The committee shall discuss with the auditors the overall scope of the audit, including identified risk areas and any additional agreed-upon procedures. In addition, the Committee shall also review the auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level.

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Communications with stakeholders

The committee shall review and discuss ASX press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

The committee shall review the half-year financial report prior to filing with the ASX. Also, the committee shall discuss the results of the half-year review and any other matters required to be communicated to the committee by the auditor under generally accepted auditing standards. The chair of the committee may represent the entire committee for the purposes of this review.

The committee shall review all representation letters signed by management to ensure that the information provided is complete and appropriate. Also, the committee shall discuss the results of the annual audit and any other matters required to be communicated to the committee by the auditors under generally accepted auditing standards.

The committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The committee shall receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty.

Committee performance

The committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.