



BASS STRAIT OIL COMPANY LTD

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ASX RELEASE

Please see the attached Letter of Offer: Renounceable Rights Issue and associated Shareholder Update. These documents are being printed today for distribution to shareholders along with a personalised application form.

A handwritten signature in black ink, appearing to read "Andrew Adams". The signature is fluid and cursive, with a prominent initial 'A'.

Andrew Adams
Managing Director
2 October 2009



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Dear Shareholder

Letter of Offer: Renounceable Rights Issue

On 22 September 2009 we wrote to notify shareholders of a forthcoming rights issue for Bass Strait Oil Company Limited ("BAS" or "the Company").

A personalised Entitlement and Acceptance Form, by which you may participate in this new issue of fully paid ordinary shares in the Company ("Shares"), is now enclosed with this formal Letter of Offer.

The Company hereby invites shareholders who were registered at 7.00pm AEST on 1 October 2009 and who have a registered address in Australia or New Zealand ("Registered Shareholders" at the "Record Date") to participate in a pro-rata renounceable rights issue on the basis of two (2) Shares in the Company for every three (3) Shares held, at an Offer Price of 3.0 cents per Share ("Rights Issue"). The Offer Price represents a 39% discount to the closing price of Shares on the ASX on 1 October 2009 which was 4.9 cents.

The Rights Issue will result in the issue of up to approximately 103,633,968 Shares ("Rights Issue Shares") and will raise up to approximately \$3,109,019, before costs and expenses, if fully subscribed.

The Rights Issue is fully underwritten by Patersons Securities Limited for a fee structured as follows:

- Corporate Advisory Fee: \$60,000
- Management Fee: 1.5% of the total amount raised under the Rights Issue.
- Underwriting Fee: 4.0% of the total amount underwritten under the Rights Issue.

Registered Shareholders who take up their entitlement of Rights Issue Shares (their "Rights") in full also have the opportunity to apply for additional Shares ("Additional Shares") which may, at the discretion of Patersons Securities Limited in consultation with the Company, be made available from any unsubscribed Rights Issue Shares.

As the Rights Issue is renounceable, Registered Shareholders who do not wish to subscribe for some or all of their Rights may sell those Rights in order to realise value which may attach to those Rights.

Actions required by Registered Shareholders

As a Registered Shareholder, if you wish to subscribe for some or all of your Rights, and if you wish to apply for Additional Shares, you will need to complete the personalised Entitlement and Acceptance Form pursuant to the instructions set out on the form, and return it, with the appropriate application monies, to the Company's share registry before 5pm AEDT on the closing date of 20 October 2009. The mailing address is given in Instruction 6 of the Form.

If you do not want to subscribe for some or all of your Rights, you may sell those Rights on the ASX until the close of markets on 13 October 2009. The ASX code for the Rights is BASR. To sell any of your Rights on the ASX you must provide appropriate instructions to your stockbroker, providing them with any information requested by them in order to effect your instructions as soon as possible. If you wish to transfer some or all of your Rights to a person, other than by trading on the ASX, you must complete a standard renunciation form (available from your stockbroker or the share registry – see Instruction 4 of the Form) and lodge it with your stockbroker together with the applicable transferee's cheque for the acceptance money.

As a Registered Shareholder if you choose to do nothing with your Rights, you will continue to hold the same number of Shares, however your interest in the Company will be diluted and you will receive no value for your Rights.

If you have any questions in relation to the Rights Issue, please refer to the Rights Issue Q&A sheet on the back page of this Letter of Offer. You can also contact the Company's offer information line on 03 9927 3009.

Timetable

The Rights Issue is being conducted according to the following indicative timetable:

- | | |
|---|-----------------|
| • Rights Issue Record Date | 1 October 2009 |
| • Dispatch of Entitlement & Acceptance Form | 6 October 2009 |
| • Rights trading ends | 13 October 2009 |
| • Deferred settlement trading commences | 14 October 2009 |
| • Issue closes | 20 October 2009 |
| • Allotment of Rights Issue Shares | 28 October 2009 |

All of the abovementioned dates are indicative only and may be subject to change. The Company reserves the right to amend this timetable including, subject to the Corporations Act 2001 ("Act") and the ASX Listing Rules, to extend the closing date.

Use of proceeds

Proceeds from the Rights Issue are planned to be applied to the continued development of the Company's petroleum exploration portfolio and for general working capital purposes. Please see the enclosed Shareholder Update for a review of the Company's projects and programme. An indicative scenario for application of funds raised is shown in the table below:

	\$
General exploration costs	2,000,000
Underwriting fee and commission (max)	230,996
Working capital and costs of issue	878,023
	<hr/> \$3,109,019

Disclosures and further information

Shareholders and investors may view the Company's 2009 Annual Financial Report and all its ASX releases at www.asx.com.au (ASX code: BAS). Extensive information on the Company and its projects (including ASX releases) is available at www.bassoil.com.au.

BAS is currently seeking industry participation via farmins or other arrangements in order to assist funding of exploration programmes in a number of its permit areas. Evaluations and negotiations with industry parties are ongoing. Shareholders will be advised via ASX release if and when any participation agreements are executed.

Pursuant to the Act (Section 708AA), the Company is not required to prepare a prospectus for the Rights Issue. However, a Shareholder Update on the Company and its projects is enclosed with this Offer Letter, together with an Entitlement and Acceptance Form.

Overseas Shareholders

The Company is of the view that it is unreasonable to make an offer under this Letter of Offer to shareholders outside of Australia and New Zealand having regard to:

- (a) the number of shareholders outside of Australia and New Zealand as a proportion of total shareholders in the Company;
- (b) the number and value of the securities to be offered to shareholders outside of

Australia and New Zealand; and
(c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make offers under this Letter of Offer to shareholders outside of Australia and New Zealand.

Ranking

Rights Issue Shares to be allotted will rank equally with all existing ordinary Shares on issue.

Risk Factors

Investors should be aware that an investment in the Company involves many risks which may be higher than the risks associated with an investment in other companies. Intending investors should refer to announcements made by the Company to ASX. This information is available from the ASX website www.asx.com.au - the Company's ASX code is BAS – and the Company's website www.bassoil.com.au . Intending investors should review announcements made by the Company in order to fully appreciate such matters and the manner in which the Company operates before making a decision regarding the Rights Issue.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Rights Issue Shares. Investors should note that the Rights Issue Shares to be issued pursuant to this Letter of Offer carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares.



Andrew Adams
Managing Director
2 October 2009

Rights Trading Q&A

Rights trading on the ASX has commenced under the code “BASR”.

As an aid to BAS shareholders, we provide below a Q&A sheet which addresses common questions in relation to exercising and trading rights.

What can I do with my Rights?	You can do the following: <input type="checkbox"/> .. apply for all of your Rights; <input type="checkbox"/> .. apply for part of your Rights and allow the balance to lapse; <input type="checkbox"/> .. apply for none of your Rights; <input type="checkbox"/> .. sell all or part of your Rights on the ASX; <input type="checkbox"/> .. apply for part of your Rights and sell the balance; or <input type="checkbox"/> .. sell or transfer all or part of your Rights to another person, other than on the ASX.
How do I take up my Rights?	Complete the enclosed Entitlement and Acceptance Form following the instructions.
Can I trade my Rights?	Yes, some or all of your Rights can be traded on ASX and they can be privately transferred.
What happens to any Rights that I don't take up or trade?	Any portion of your Rights that you do not take up or trade will lapse and you will not get any benefit for them. New Shares representing the number your Rights not exercised will then form part of the shortfall to be dealt with by the Underwriters.
Can I transfer my Rights to another person?	Yes, you may transfer your Rights to another person. In order to do so, you will need to complete a Renunciation Form, which is available through your broker or the Share registry.
When can I trade my Rights?	You can trade your Rights on the ASX between 25 September 2009 and 13 October 2009 inclusive.
How do I trade my Rights on the ASX?	In order to trade your rights, please contact your share broker and follow their instructions. On your Entitlement and Acceptance form, you will need to complete Section 3 of the form and forward it to your broker, along with the payment for any portion that you are accepting. Your broker should complete the sale and lodge the form and payment on your behalf, if required.
How do I buy more rights on the ASX?	You should ask your broker to purchase them in the same way as for any other stock. The ASX code is “BASR”. If you purchase Rights you need to ask your broker to make the arrangements for your application, including payment in full, to be lodged by the Offer closing date of 20 October 2009
I've bought BAS Rights on the ASX. How do I exercise them?	You will need to speak to your broker, who can advise you on the steps required to ensure that your application and payment are received by the closing date of 20 October 2009.

Shareholder Update October 2009

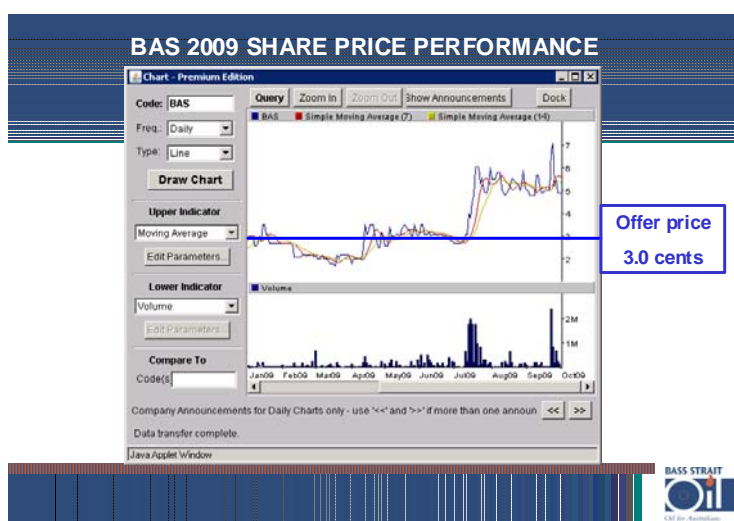
Dear Shareholder

The enclosed rights issue offer represents an opportunity to consolidate your investment in Bass Strait Oil Company Ltd ("BAS" or "Company") at a strong discount to the current market price.

BAS remains a sound and focused organisation with a clear strategy and strong prospects. While you are under no obligation to subscribe, your directors encourage you to take up your entitlement in what we believe to be an attractively priced offer.

During the 'global financial crisis' of 2008 and 2009, Australian share prices fell dramatically and BAS was no exception. During this period BAS maintained a clear focus on its strategy and has continued to progress the exploration of its highly prospective southeast Australian permits.

The BAS share price has now risen substantially from its 2009 lows, while the offer price of 3.0 cents per share reflects earlier conditions when uncertainty ruled the market in general and when there was little trading activity in BAS shares.



Therefore BAS believes that the current offer – a pro-rata entitlement offer to existing shareholders – provides real value for our shareholders, while at the same time assisting the Company to continue with its exploration strategy and to realise the potential value in its holdings. The issue is renounceable, so if you do not wish to subscribe, you have an opportunity to realise some value for your rights by selling them on the ASX or privately. Whether or not you wish to take up your entitlement, the underwriting agreement with Patersons Securities Limited provides confidence that the issue will secure funding for the Company's forward programme.

The Company's 2009 Annual Financial Report was lodged with the ASX on 22 September 2009 (available on www.bassoil.com.au and www.asx.com.au) and it contains full audited details of the Company's position, as well as a review of operations. You are encouraged to read this document in full.

Corporate Vision and Strategy

Bass Strait Oil Company's vision of "Oil for Australians" is today more relevant than ever. We have long recognised the need to address what is now a steep decline in Australia's petroleum liquids production and the consequent concerns for national self-sufficiency (APPEA 2008).

Your Company's goal remains to create shareholder wealth by building an Australian company aimed at finding and developing new Australian reserves. To realise this goal, the Company adopted a strategy of specialising on the southeast Australia region. From our Melbourne base, we established a strong, balanced acreage position and have applied a systematic, technically-based approach to exploration. This clear and consistent exploration strategy remains a fundamental strength. Petroleum exploration is by its nature high-risk / high-reward, but by having a spread of opportunities and a long term commitment, we give ourselves the best chance of exploration success and of establishing production.

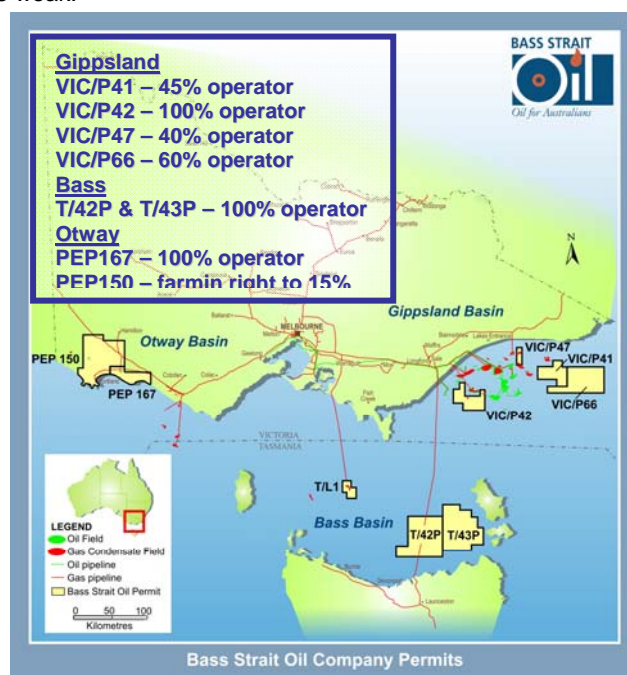
General business and economic conditions have clearly been challenging over the last year or more. For the exploration industry there has been great volatility in the price of oil, as well in the costs of exploration services and materials. While the oil price has dropped back from the peaks of last year, it remains strong by historical standards and BAS's permit areas contain many prospects viable for drilling at today's prices. Natural gas prices in eastern Australia are not high by world standards, but neither have they been subject to the volatility that has impacted on the US gas market in 2009. Your directors believe that the longer term pressures are for increasing oil and gas prices.

Despite the economic fundamentals of many individual prospects remaining strong, we witnessed a broad retreat from exploration investment during the economic crisis. Many large oil and gas companies cut their exploration budgets and investor sentiment towards the sector was weak.

BAS responded to the challenges of 2008 and 2009 by focusing expenditure on low cost projects with high value-add potential, while maintaining the Company's core capabilities. The recently announced results of new seismic data and studies in our offshore Tasmanian permits is an example of this approach. BAS also continues to actively manage its permits to ensure appropriate commitments and to maximise ongoing tenure within its portfolio, as evidenced by recent and pending renewals and variations in several permits.

However, the influence of these difficult factors would now seem to be easing and we look toward a successful exploration programme in improving conditions.

With regard to securing exploration investment from industry, BAS has commenced international marketing efforts for farmouts of several of its permits and discussions are advancing with respect to these areas. Shareholders and investors will be informed via ASX announcement if there are any material developments in these matters.



The core of the Company's value is contained in the potential of its exploration permit interests. An update of our projects and programmes follows:

Otway Basin onshore - PEP 167: BAS 100%

Exploration permit PEP 167 is located in the onshore Otway Basin, near Portland, in western Victoria.

This area contains the undeveloped 1987 Windermere oil discovery and has the potential to become the Company's first oil producing project. Discussions regarding a potential farmin are at an advanced stage and could lead to external funding of a new 3D seismic survey in the Windermere area. This survey is scheduled to be recorded in early 2010.

BAS holds a 100% interest in the permit which comprises some 833 sq km of primarily agricultural land with gentle terrain and good internal road access. Unlike more remote parts of Australia, PEP167 boasts local significant industry and related infrastructure and services, including a deep water port at Portland. The economics of any oil production that may be established in this area are favourable, with good access and relatively short transport distance by sealed highway to the Geelong refinery.



The Company's exploration focus in PEP 167 is on pursuing the potential of known discoveries in the permit: at the 1987 Windermere-1 well, which produced oil on test, and also at the 2002 Port Fairy-1 oil and gas discovery well. The adjacent PEP 150 permit also contains an oil discovery at the Lindon-1 and 2 wells.

BAS has completed an extensive review of the Windermere-1 discovery which indicates that there is good potential to achieve commercial oil production rates at Windermere, particularly given careful well design, modern drilling techniques and potentially employing horizontal drilling.

Otway Basin onshore - PEP 150 (application area): BAS 15% farmin right

BAS can earn a 15% interest in PEP 150 by contributing to the drilling of a well. This area contains the 1989 Lindon oil discovery, but the permit is yet to be granted subject to negotiation of Native Title. BAS looks forward to a resolution of Native Title issues that will allow the granting of the PEP 150 permit and the commencement of an exploration programme in the area.

Gippsland Basin offshore - Vic/P47, BAS 40% and Operator (renewal pending)

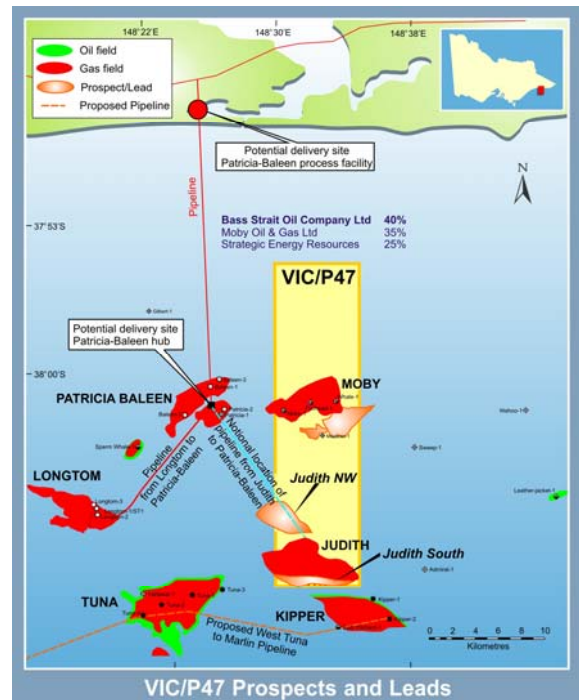
Permit Vic/P47 is located in the offshore Gippsland Basin, approximately 10 km offshore, south of the Victorian town of Orbost. Water depths range up to 80 metres. The permit contains the Judith and Moby gas discoveries. The Judith gas resource was certified by Gaffney Cline & Associates (GCA) in 2008 and both Judith and Moby are in close proximity to existing or planned infrastructure in adjacent licences.

The Vic/P47 joint venture is seeking farmin partners to fund operations and the opportunity has attracted credible interest. While no offers have been received to date, evaluation and assessment is continuing.

The permit is undergoing the normal renewal process after the joint venture met or exceeded all obligations under its first six year term. BAS has submitted an application to renew the permit for a second 5 year term and acceptance of any offer by the Vic/P47 joint venture would then lead to grant of the renewal term.

The proposed renewal area is shown on the accompanying map. At approximately 200 sq km, it comprises the 3 graticular blocks from the original permit area which include the Judith and Moby Gas Fields. This area contains approximately 160 sq km of existing 3D seismic data and a commitment to reprocess this data is included in the proposed terms of renewal for Vic/P47.

The Judith Field is located 22 km east of the Longtom Gas Field, where Nexus Energy holds a 100% interest and is planning first gas production from its new development in 2009. Judith-1 was drilled by Shell in 1989 and discovered gas in the same geological unit as Longtom, but was not production tested or appraised. The resource certification by GCA provides independent confirmation that, subject to successful appraisal, Judith has the resource volume potential to underpin a commercial development. GCA reported that a gross gas column of 290 metres can be interpreted from Judith-1 electric log data and GCA's petrophysical analysis indicated 135.5 metres of net gas pay in the Judith-1 well. GCA estimated a 'high' or upside case of 1,735 Bscf (Contingent + Prospective Recoverable Gas Resources for the Greater Judith Area). Judith appraisal drilling options have been evaluated by consultants RPS Energy. *Note: all volumetric estimates quoted for Judith are 100% Vic/P47 joint venture volumes. Bscf = Billion standard cubic feet*

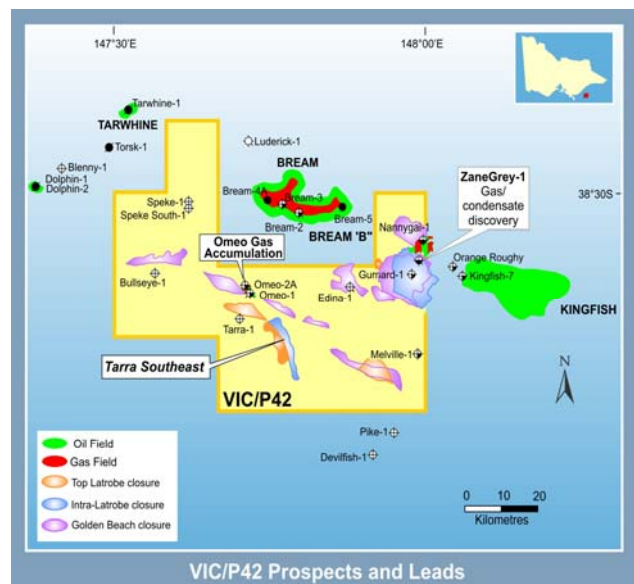


Gippsland Basin offshore - Vic/P42, BAS 100%

Vic/P42 is located approximately 40 km offshore and contains moderate water depths from 50 to 80 metres. On 18 September 2009 BAS was granted a 100% interest in a new 5 year term for the Vic/P42 permit.

The renewal area is shown in the accompanying prospects and leads map. It comprises approximately 930 square kilometres and is almost entirely covered by modern 3D seismic surveys. The committed programme for the first 3 years of the renewal period requires BAS to reprocess 750 square kilometres of 3D seismic.

Vic/P42 is located adjacent to Kingfish, Australia's largest oil field, as well as to Bream and other producing Esso/BHP oil and gas fields. Existing non-producing gas and condensate discoveries within Vic/P42 at ZaneGrey and Omeo further underline the prospectivity of the area.

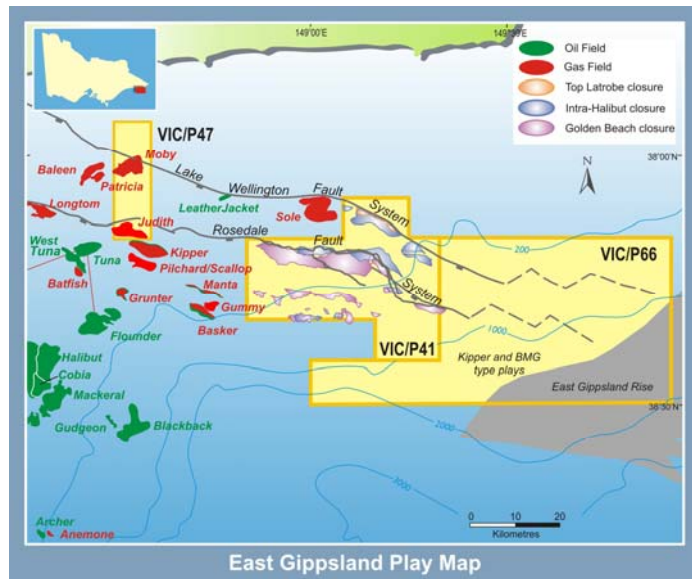


BAS will initially focus on re-evaluating known 3D-defined prospects such as Tarra Southeast, which was mapped as a low risk prospect by the previous operator. It is also planned to re-assess the full inventory of identified prospects and leads as well as investigate new plays in the permit. BAS considers that its return to 100% interest and operatorship of Vic/P42 is an excellent opportunity with the potential to provide the Company with high-impact drilling targets in a prolific area.

Eastern Gippsland Basin offshore - Vic/P41, BAS 45% and Operator plus Vic/P66, BAS 60% and operator
 Permits Vic/P41 and Vic/P66 are located adjacent to each other in the east of the offshore Gippsland Basin, from approximately 40 km south of the Victorian coast. Together, these permits provide BAS with exposure to proven Gippsland trends from adjacent areas as they traverse across the BAS permits and extend further out in to the basin. BAS maps extensions of two trends in its East Gippsland permits:

- the eastward extension Rosedale Fault system sets up prospects analogous to the Kipper oil and gas field (first production scheduled for 2011 for Esso et al)
- further south, a second trend extension is analogous to the Basker / Manta / Gummy oil and gas fields (in production since December 2006 for Roc Oil et al) .

The Vic/P41 joint venture has invested in both 2D and 3D seismic over the last several years and this permit is the more mature of the two areas. It contains a number of large prospects defined on modern 3D seismic notably Kipling, Benchley and Oscar. 2D seismic recorded in 2008 has confirmed the potential of eastern area of the Vic/P41 permit and has pointed to further potential in the adjacent Vic/P66 permit. The Lead A prospect located on the Rosedale Fault trend and is interpreted to extend in to Vic/P66. It is planned that this prospect and the extension of this trend will become a focus of future work.

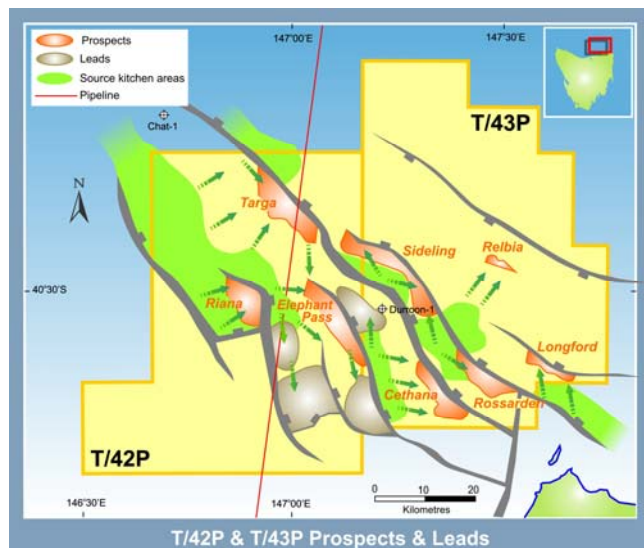


The Vic/P41 joint venture has applied for a work commitment variation for the permit consistent with its exploration programme and farmout objectives.

Bass Basin offshore Tasmania - T/42P and T/43P, BAS 100%

These permits are located off the north coast of Tasmania, in an area of the Bass Basin known as the Durroon Sub-basin. The T/42P and T/43P permits cover approximately 6120 sq km and have been little explored in the past.

BAS has completed a comprehensive modern exploration programme in T/42P and T/43P - the first exploration effort in this area since the early 1990s. The results of this programme are highly encouraging. Seismic mapping has now defined a number of prospects, each with the scope to contain several hundred million barrels of recoverable oil. Recent basin modelling indicates a series of interpreted petroleum 'kitchen' areas with the potential to have generated large quantities of oil and gas. Also, the migration pathways between the 'kitchens' and the prospects are relatively short and direct, enhancing the likelihood of petroleum accumulations in the mapped prospects.



BAS's approach to these Tasmanian permits illustrates the strategy of leveraging our skills and experience, while committing relatively small expenditure, in order to create value in prospective and under-explored areas.

For and on behalf of the Board

Andrew Adams
 Managing Director
 2 October 2009