

QUARTERLY REPORT JUNE 2011

Bass Strait Oil Company Ltd (“BAS” or “Company”) presents a summary of its activities for the quarter ended 30 June 2011.

During the quarter the Company maintained its focus on the Windermere oil project in the PEP 167 permit in the onshore Otway Basin, as well as progressing key studies and farmout discussions in the offshore Gippsland and Bass Basins. Dr Steve Mackie has been appointed as Chief Executive Officer.

Beyond the ongoing projects at Windermere and our various offshore areas, the Company is continuing discussions in its efforts to attract drilling investment partners as well as reviewing new opportunities and strategies

EXPLORATION ACTIVITIES

Otway Basin onshore Victoria - PEP 167, BAS 50% and Operator

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

The permit comprises some 833 square kilometres 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. Therefore, if oil production is established at Windermere, we anticipate a relatively short development schedule and low capital and operating costs leading to robust economics.

PEP 167 contains the 1987 Windermere-1 well which produced oil on test but was not developed for production given the low oil prices and the available technology at that time. The Company's new 3D seismic survey data is now providing a detailed image of the Windermere oil zone for the first time.

The ‘Greater Windermere’ feature (mapped closures A, B and C combined) has an area of 6 sq km and new probabilistic estimates indicate a P10 (upside) prospective resource of 35.5 million barrels oil-in-place.

Planning is well advanced for a new well on the Windermere ‘A’ closure near the original well. Subject to finalizing the necessary government approval, the PEP 167 joint venture is working towards drilling Windermere-3 in the 4th Quarter of 2011. This well will target a P50 (most likely) estimate of prospective resources for Windermere ‘A’ closure alone of 3.36 million barrels of oil-in-place or 0.95 million barrels of recoverable oil.

Success at the Windermere A closure would likely be a strong commercial result in its own right and could also lead to follow-up wells on the ‘B’ and ‘C’ closures of Greater Windermere as well as surrounding features.

BAS has also completed new technical studies that significantly derisk the upcoming Windermere project. Although oil flowed on test from the 1987 Windermere-1 well and therefore many of the risks usually associated with exploration drilling were significantly reduced, there remained two key uncertainties:

1. How did the oil migrate into the Windermere-1 area but not the updip Windermere-2 area?
2. Why did the oil that flowed on test at Windermere-1 not flow when the well was completed for production?

BAS has significantly enhanced answering these questions by interpreting the recent 3D seismic survey from a petroleum system perspective and by conducting a series of technical studies on the Heathfield Sandstone reservoir rock.

The source of the oil recovered at Windermere-1 was deep within the lower Eumeralla Formation and where, in fact, Windermere-2 had an oil show. Using the results of the recent 3D seismic survey, BAS has demonstrated that the likely migration path is via major faulting. The oil then pools at the first available reservoir along that pathway. The faults that control the Windermere-1 structure are deep seated faults which penetrate deep below the generation level. The oil migrates up these faults and then pools in the Heathfield Sandstone; the first available reservoir on that migration pathway. The faults associated with the Windermere-2 structure, however, do not penetrate into the lower Eumeralla Formation and therefore the oil generated at that depth cannot migrate into that structure.

As previously announced, a series of reservoir engineering studies and petrophysical evaluations have demonstrated that Windermere-1 did not flow oil on production because of formation damage – the drilling fluid and the completion fluid were chemically significantly different and therefore “shocked” the formation stopping economic flow. It should be possible to produce the oil at Windermere in an economic way if modern drilling and completions technologies were used. BAS is currently undertaking laboratory tests on the Heathfield Sandstone reservoir rock and various drilling and completion fluids to determine the optimal methodology for economically drilling and completing Windermere-3.

Otway Basin onshore Victoria- PEP 150 (application area)

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 Victoria - Vic/P47, BAS 40% and Operator

The Vic/P47 exploration permit is located in the offshore Gippsland Basin, 14 km from the coast and south of the Victorian town of Orbost, with water depths ranging up to 80 metres.

Vic/P47 contains the Judith and Moby gas discoveries. Judith contains certified gas resources (Gaffney Cline & Associates 2008) and both Judith and Moby are in close proximity to existing and planned infrastructure in adjacent licences. 22 km to the west, the Longtom Field has commenced gas production – the first production from the same geological unit as the Judith discovery.

A short distance to the south of the Judith field, ExxonMobil has recently completed a development drilling programme at the Kipper field, with a target of first production of gas and liquids in early 2012.

The Joint Venture is preparing to commence a simultaneous seismic inversion study to enhance the definition of the Judith and Moby fields.

Discussions with potential Vic/P47 farminees are continuing.

Eastern Gippsland Basin offshore Victoria - Vic/P41, BAS 45% and Operator plus Vic/P66, BAS 60% and Operator

Permits Vic/P41 and Vic/P66 are located immediately adjacent in the east of the offshore Gippsland Basin, approximately 40 km south of the Victorian coast. BAS maps extensions of two productive trends across its East Gippsland permits:

- the eastward extension of the Rosedale Fault system sets up prospects analogous to the Kipper oil and gas field (development drilling in the Kipper field is now completed ahead of first production scheduled for early 2012)
- further south, a second trend extension is analogous to the Basker / Manta / Gummy oil and gas fields (which have been in production since December 2006 for Roc Oil and partners) .

Vic/P41 contains a number of large prospects defined on modern 3D seismic, notably Kipling, Benchley and Oscar, whereas Vic/P66, while containing part of the 2D-defined 'Lead A' feature, is still at an early stage of exploration with clear potential to further extend the Rosedale trend in to new areas.

To further define and 'de-risk' these opportunities two new technical studies have been completed. A simultaneous seismic inversion project (Vic/P41) analysed both 2D and 3D seismic over the Rosedale trend prospects and leads (i.e. Kipper analogues) for indications of hydrocarbon anomalies and other factors. This work has demonstrated that the seismic inversion signature of these prospects is exactly the same as that for the Kipper Field, greatly reducing the risk associated with drilling. In addition, a basin modelling project (jointly funded by Vic/P41 and Vic/P66) has defined the nature of hydrocarbon charge in to the east Gippsland area as well as the timing and migration pathways of this charge. It shows the area immediately south of the permits is mature. It is modelled as having generated and expelled hydrocarbons at a time where they could migrate towards the basin margin and be trapped in the structures identified in Vic/P41 and Vic/P66. The interpretation that the gas in the Sole Field is biodegraded thermogenic gas further enhances the concept of a "fill/spill chain" through the permit.

Vic/P41 is due for renewal during the September 2011 quarter. The Joint Venture is currently preparing the renewal application for submission to the authorities.

Discussions with potential Vic/P41 and Vic/P66 farminees are continuing.

Gippsland Basin offshore Victoria- Vic/P42, BAS 100%

Vic/P42 is located approximately 40 km offshore in moderate water depths of 50 to 80 metres. The permit is adjacent to Kingfish, Australia's largest oil field, as well as to Bream and other producing ExxonMobil/BHPBilliton 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 focus on re-evaluating known 3D-defined prospects such as Tarra Southeast, which is mapped as a low risk prospect and is analogous to the Dolphin and Perch fields. 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 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.

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

These permits cover approximately 6120 sq km off the north coast of Tasmania, in an area of the Bass Basin known as the Durroon Sub-basin.

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 billion cubic feet of recoverable gas. Recent basin modelling indicates a series of interpreted petroleum 'kitchen' areas with the potential to have generated large quantities of hydrocarbons. The migration pathways between the 'kitchens' and the prospects are short and direct. This enhances the likelihood of petroleum accumulations in the mapped prospects.

An application for variation to T/42P which replaces the drilling of a well in this permit year with geological and geophysical studies was approved by the authorities during the quarter.

A handwritten signature in black ink, appearing to read 'Steve Mackie', enclosed within a large, loopy circular flourish.

Dr Steve Mackie
Chief Executive Officer
22 July 2011

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

BASS STRAIT OIL COMPANY LTD

ABN

13 008 694 817

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	(12)	281
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(263)	(1,394)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	40	174
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(235)	(939)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) exploration & evaluation (b) equity investments (c) other fixed assets	(57)	(503)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(57)	(503)
1.13 Total operating and investing cash flows (carried forward)	(292)	(1,442)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(292)	(1,442)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (Share Issue Costs)		
	Net financing cash flows		
	Net increase (decrease) in cash held	(292)	(1,442)
1.20	Cash at beginning of quarter/year to date	2,547	3,697
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,255	2,255

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	110
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	0	0

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	
4.3 Production	
4.4 Administration	50
Total	100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	223	547
5.2 Deposits at call	2,032	2,000
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,255	2,547

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

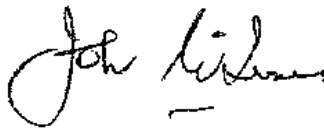
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	291,030,250	291,030,250		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 22 July 2011
(Director)

Print name: John L C McInnes

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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