



Oil for Australians

**BASS STRAIT OIL COMPANY LTD**

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**QUARTERLY REPORT  
MARCH 2011**

Bass Strait Oil Company Ltd (“BAS” or “Company”) presents a summary of its activities for the quarter ended 31 March 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 in the offshore Gippsland Basin. Beyond the ongoing projects at Windermere and the various offshore areas, the Company is continuing discussions in its efforts to attract drilling investment partners as well as reviewing new opportunities and strategies.

The Managing Director, Mr Andrew Adams, left the company on 31 March 2011. Dr Steve Mackie has been appointed as Acting Chief Executive Officer and Mrs Robyn Hamilton has been appointed as Company Secretary.

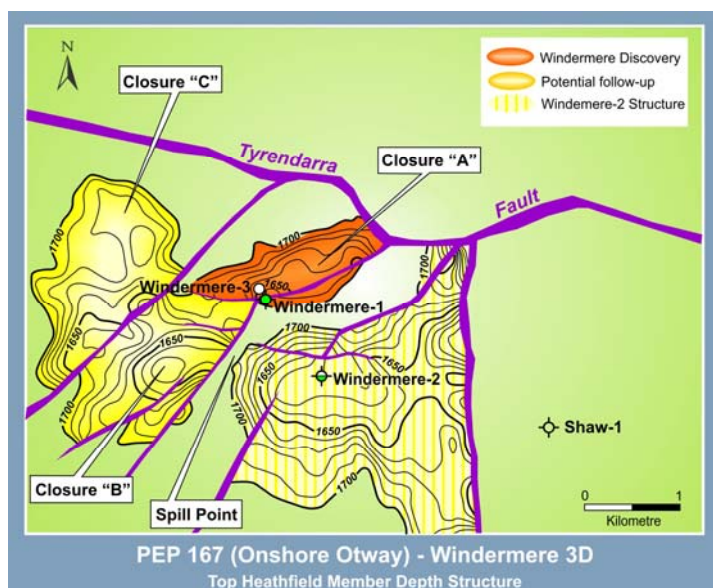
**EXPLORATION ACTIVITIES**

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

Exploration permit 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 PEP 167 Joint Venture’s new 3D seismic survey data is now providing a detailed image of the Windermere oil zone for the first time.

During the quarter, BAS announced that it had completed new Windermere mapping and prospective resource estimates based on the 3D seismic recorded in 2010.

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 Windermere-1 well location. Subject to obtaining the necessary approvals and consents, the Joint Venture is currently planning to drill Windermere-3 in the 4<sup>th</sup> Quarter of 2011. This well will target a P50 (most likely) estimate of prospective resources for the Windermere 'A' closure alone of 3.36 million barrels of oil-in-place or 0.95 million barrels of recoverable oil.

Commercial success at the Windermere A closure could also lead to follow-up wells on the 'B' and 'C' closures of Greater Windermere, as well as surrounding features.

Prior to the Joint Venture making the decision to drill Windermere-3, BAS completed new technical studies that significantly de-risk the 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 and stopping economic flow. It should be possible to produce the oil at Windermere in an economic way by using modern drilling and completions technologies. 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.

In contrast to many onshore Australian oil exploration areas, the Windermere-1 well site is located on agricultural land with largely gentle terrain and with good road access. PEP 167 also benefits from local infrastructure and support and a relatively short transport distance via sealed highway to the Geelong refinery. Therefore, if oil production is established at Windermere, the Company anticipates a relatively short development schedule and low capital and operating costs leading to robust economics.

### **Otway Basin onshore Victoria- PEP 150 (application area)**

BAS can earn an 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.

### **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 2012.

Discussions with potential Vic/P47 farminees are ongoing.

### **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 adjacent to each other 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 now completed ahead of first production scheduled for 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 but with clear potential to further extend the Rosedale trend into new areas.

To further define and 'de-risk' these opportunities, two new technical studies have been completed. A 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 into the east Gippsland area (i.e. existence of oil vs gas), 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.

In the previous quarter (December 2010), the Joint Venture was granted a variation to the year-5 work programme for Vic/P41 that replaced the well obligation with the seismic inversion and basin modelling projects that had commenced, in order to generate more robust and credible information within the permits.

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

### **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.

BAS is 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.

Discussions with potential Vic/P42 farminees are ongoing.

### **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.

The Company has conducted a comprehensive modern exploration programme, including recording new seismic data in T/42P and T/43P. The resulting mapping has defined a number of prospects, each with the scope to contain several hundred million barrels of recoverable oil. Mapping has also confirmed that neither of the 2 existing wells in the area were valid tests. Basin modelling studies indicate a series of interpreted petroleum 'kitchen' areas with the potential to have generated large quantities of oil and gas.

An application for variation to T/42P, to replace the drilling of the Year 6 well with geological and geophysical studies, was submitted to the authorities during the quarter prior to the commencement of Year 6 of the work programme.

Discussions with potential T/42P and T/43P farminees are ongoing.

A handwritten signature in black ink, appearing to read 'Steve Mackie', is written over a faint, light-colored rectangular stamp or watermark.

Dr Steve Mackie  
Acting Chief Executive Officer

20 April 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")

31 March 2011

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	73	293
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(615)	(1,131)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	36	134
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(506)</b>	<b>(704)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) exploration & evaluation (b) equity investments (c) other fixed assets	(231)	(446)
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)		
<b>Net investing cash flows</b>	<b>(231)</b>	<b>(446)</b>
1.13 Total operating and investing cash flows (carried forward)	(737)	(1,150)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(737)	(1,150)
	<b>Cash flows related to financing activities</b>		
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)		
	<b>Net financing cash flows</b>		
	<b>Net increase (decrease) in cash held</b>	<b>(737)</b>	<b>(1,150)</b>
1.20	Cash at beginning of quarter/year to date	3,284	3,697
1.21	Exchange rate adjustments to item 1.20		
		<b>2,547</b>	<b>2,547</b>
1.22	<b>Cash at end of quarter</b>		

**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	567
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

This includes annual leave, long service leave and contractual obligations paid on termination of the Chief Executive Officer and Managing Director.

**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

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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

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**Financing facilities available**

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

	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	150
4.2 Development	
4.3 Production	
4.4 Administration	150
<b>Total</b>	<b>300</b>

### 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	547	358
5.2 Deposits at call	2,000	2,926
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,547</b>	<b>3,284</b>

### 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.*

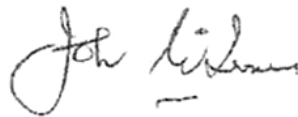
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	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 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <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	1,500,000	-	15	3/06/2011
7.11 <b>Debentures</b> <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: 20 April 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.

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+ See chapter 19 for defined terms.