

## **QUARTERLY REPORT SEPTEMBER 2004**

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Bass Strait Oil Company Ltd ("BAS" or "Company") presents its initial summary of exploration activities, covering the quarter ended 30 September 2004

### **HIGHLIGHTS**

- The Company completed its Initial Public Offering (IPO) and listed on the Australian Stock Exchange (ASX code: BAS).
- The Company raised a total of \$16 million in new capital during the quarter.
- A gas discovery at Moby-1 during October, just two weeks after ASX listing, marked a highly successful start for the Company's extensive Gippsland Basin exploration programme.

### **EXPLORATION ACTIVITIES**

#### VIC/P47, GIPPSLAND BASIN (BAS 40% and operator)

Preparations for the Moby-1 well were carried out during the quarter including contracting, permitting, well design and engineering and logistics.

#### **Moby-1 Confirms New Field Gas Discovery**

Since the end of the quarter, Moby-1 has been drilled and has confirmed a new field gas discovery. Moby-1 achieved its objective with preliminary results supporting the pre-drill model and expectations of the Moby structure as described in the Company's prospectus.

This is an excellent result from the first well of the Company's Gippsland Basin drilling programme and the first Australian well for the Ocean Patriot drilling rig.

The Moby-1 well is located in offshore permit Vic/P47 approximately 25 km south of Orbost, Victoria. Drilling commenced on 7 October 2004 and the rig was released on 17 October 2004.

The top of the primary target Gurnard Formation was intersected 17 metres high to prognosis, and slightly thicker than originally estimated (32 metres versus 25 metres). Elevated gas readings together with some indications of fluorescence were recorded while drilling the Gurnard Formation. Gas samples taken on wireline formation tester confirmed the Moby structure as a new field gas discovery.

Detailed evaluation of wireline log results and sidewall core samples from Moby-1 is now underway.

Moby-1 is located approximately 5 km east of the producing Patricia Baleen gas field. Based on preliminary analysis of wireline logs, the nature of the gas shows while drilling and the description of the reservoir rock from drill cuttings, the Company believes the Moby-1 reservoir section is comparable to the Patricia Baleen gas reservoirs. Preliminary analysis of gas samples taken indicates a gas composition of predominantly methane, only 1% CO<sub>2</sub> and no H<sub>2</sub>S. This is also comparable to gas being produced from the Patricia Baleen field.

The well intersected the gas fluid contact as programmed. This means that there is extensive gas potential higher on the Moby structure, at least 105 metres of vertical closure is mapped above the level of the gas fluid contact intersected in Moby-1.

Moby-1 has also confirmed that the 3D seismic amplitude anomaly is indicating the presence of gas as predicted by the pre-drill interpretation. This result indicates the potential for the accumulation to also be areally extensive to the south and east beyond existing 3D seismic control.

Negotiations have commenced with seismic contractors with the aim of completing the 3D seismic coverage over the full potential area of the Moby accumulation by early 2005. It is planned that this data could be used to locate an appraisal well in 2005 as part of BAS's Gippsland drilling programme with the Ocean Patriot rig.

BAS holds a 40% interest in Vic/P47 following a farmout whereby Moby Oil & Gas Limited contributed the first \$3.75 million to the cost of Moby-1.

#### VIC/P42, GIPPSLAND BASIN (BAS 50% and operator)

Activity in Vic/P42 focused on the ZaneGrey-1 well which is scheduled to commence drilling in December 2004. ZaneGrey-1 will be the Company's second well using the Ocean Patriot drilling rig. BAS has options for a further three wells with the Ocean Patriot which is contracted for multiple wells in the area for several operators.

Preparation for ZaneGrey-1 operations included purchase of long-lead drilling equipment, contracting, approvals and logistics. The ZaneGrey prospect is estimated by BAS to contain an unrisked prospective resource of 134 million barrels of recoverable oil.

BAS also reviewed the existing geological and geophysical data over the 1983 Omeo gas discovery to determine whether 3D seismic coverage will be acquired over the feature. If approved by the joint venture, seismic data could be acquired as part of a multi-survey 3D programme planned for late 2004 and early 2005.

#### VIC/P41, GIPPSLAND BASIN (BAS 75% and operator)

BAS continued negotiations with seismic contractors and other operators in the area in an effort to secure a 3D vessel to record data in Vic/P41, as well as other permits.

A Vic/P41 survey of at least 250 sq km and up to 600 sq km of 3D seismic is scheduled to be recorded as soon as a vessel becomes available in the Gippsland Basin region. It is now expected that this survey will be recorded as part of a multi-survey 3D programme planned for late 2004 and early 2005.

No 3D seismic has been recorded in Vic/P41. The planned survey will target the area on trend with the Kipper field and to the south of the Sole field in order to evaluate the eastward extension of the Kipper field trend. BAS believes that this trend is highly prospective and that modern 3D will give every chance of identifying Kipper-style prospects using direct hydrocarbon indicators.

TL/1, BASS BASIN (BAS 0.0648% over-riding royalty)

The BassGas project is reported as being close to completion and is expected to commence production in December 2004.

**CORPORATE MATTERS**

In August 2004 BAS raised \$1.6 million via the issue of 10 million new shares at 16 cents each to seed capital investors.

The Company issued a Prospectus for its IPO on 24 August 2004. The IPO was over-subscribed and \$14.4 million was raised via the issue of 72 million new shares at 20 cents each to a range of institutional and private investors.

The \$16 million raised during the quarter will be applied to the Company's activities as described in the Prospectus.

BAS listed on the ASX on September 30, 2004.



**David Hill**  
Company Secretary  
Melbourne, Australia  
29 October 2004