



BASS STRAIT OIL COMPANY LTD

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CORPORATE GOVERNANCE STATEMENT – 2011

The Company generally complies with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations. Specific instances where the Company, during the year, followed alternative corporate governance practices and details of current practices are set out below.

Details of the Company's corporate governance policies are contained in the Corporate Governance section on the Company's website.

Principle 1 - Lay Solid Foundations for Management and Oversight

The Board's primary role is the stewardship of shareholders' funds with the objective of creating long term shareholder value. In fulfilling this role, the Board accepts overall responsibility for corporate governance.

A Board Charter, setting the framework for its operation and of those functions delegated to management, has been adopted and is posted to the Company's website.

The Board did not conduct a performance appraisal of management during the financial year as key executive roles were filled during the year. An evaluation may be undertaken in the future.

Principle 2 - Structure the Board to Add Value

The Board comprises 4 non-executive Directors:

- Mr J L C McInnes - Chairman, non-executive Director and independent
- Mr A P Whittle - Non-executive Director and independent
- Mr D J Lindh - Non-executive Director (appointed 25 November 2011)
- Mr J McCoy - Non-executive Director (appointed 25 November 2011)

Details of the qualification, skills, expertise, financial and industry experience of each Director are on the Company's website.

The Chairman administers the procedure for Directors to seek independent professional advice, at the Company's expense, to assist them to fulfil their obligations.

The Board has established an audit committee but, given the Company's limited activities and limited resources, it has not established committees to address specific areas such as nomination, remuneration, risk management, health, safety and environment. Any issues from these areas are dealt with by the Board and any Director with a conflict of interest abstains from voting. The Board has not formalised procedures for the selection and appointment of new Directors.

The Board did not undertake an evaluation of its own performance during the financial year, but such an evaluation may be undertaken in the future.

Principle 3 - Promote Ethical and Responsible Decision-making

The corporate goal of 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.

The Board has adopted and posted to the Company's website:

- Code of Conduct setting out the standards of ethical behaviour required of directors, officers and employees; and
- Share Trading Policy for directors, officers and employees trading in the Company's securities.

Principle 4 - Safeguard Integrity in Financial Reporting

An Audit Committee Charter has been adopted by the Board and posted on the Company's website.

Mr J McInnes is Chairman of the Board and also Chair of the audit committee, which comprises the four non-executive directors of the Company. Given the size of Bass Strait Oil, the Board of Directors does not consider it appropriate that these roles are held by separate board members.

The names, qualifications and Committee attendees are set out in the 2011 Directors' Report.

Principle 5 – Make Timely and Balanced Disclosure

The Board has established policies and procedures designed to ensure compliance with the ASX Listing Rule requirements such that:

- All investors have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way.

The Company Secretary is responsible for communications with the ASX. The Chairman or a member of the Audit Committee authorises all disclosures necessary to ensure compliance with ASX Listing Rules.

Principle 6 - Respect the Rights of Shareholders

The Board has established a process for communicating with shareholders by:

- Using the Company's website to promote and to facilitate shareholder communications;
- Encouraging shareholder participation in meetings including using Corporate Governance Council guidelines for meetings and notices, and placing all shareholder related information and Company ASX announcements promptly onto the website in an accessible manner; and
- Encouraging shareholders at the annual general meeting, and providing adequate time, to question the Directors about the Company's governance and business, and the auditor about the conduct of the audit and the content of the audit report.

Principle 7 - Recognise and Manage Risk

The Board is responsible for overseeing the effectiveness of risk management so as to:

- Identify, assess, monitor and manage risk; and
- Inform investors of the nature of and material changes to the Company's risk profile.

Given the size of Bass Strait Oil, the Board of Directors does not consider it appropriate to have separate risk management and control systems designed by management which are reported to the Board of Directors.

The inherent nature of petroleum exploration is high-risk with no certainty of success. However, the Company takes all prudent analytical and planning steps to control risk. Apart from the geological risk, material business risks include those of a financial, operational, environmental technological nature. Existing policies and procedures for risk oversight are considered by the Board to be adequate at this stage of the Company's development.

At each major milestone of exploration projects, specific risk oversight and management policies will be developed consistent with activities at that time.

The Board has received assurances from the Chief Executive Officer, Company Secretary and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control that, in all material respects, mitigates financial reporting risks.

Principle 8 - Remunerate Fairly and Responsibly

The Board has not appointed a remuneration committee and reviews the remuneration packages of Directors and Executive Officers on an annual basis. The Company's policy for determining the nature and amount of emoluments of Directors and senior executives is set out in the Remuneration Report.