



Oil for Australians

BASS STRAIT OIL COMPANY LTD

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**QUARTERLY REPORT
JUNE 2008**

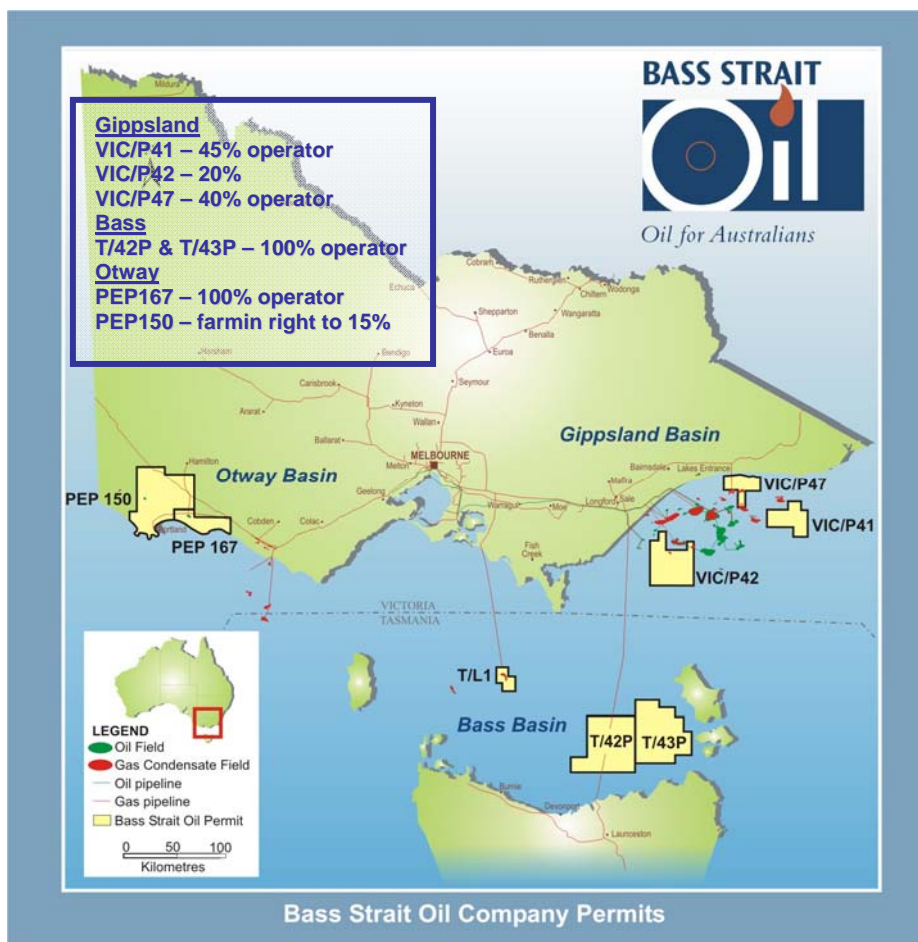
Bass Strait Oil Company Ltd (“BAS” or “Company”) presents a summary of its activities for the quarter ended 30 June 2008.

EXPLORATION ACTIVITIES

During the quarter the Company released the results of an independent resource certification of the Judith Gas Discovery and associated prospects in offshore Gippsland Basin permit Vic/P47. This study was conducted by internationally recognised consultants Gaffney, Cline & Associates (GCA) and provides independent confirmation that, subject to successful appraisal, the Judith Gas Discovery has the resource volume potential to underpin a commercial development.

Operationally, BAS successfully completed the acquisition of two new offshore seismic surveys during the quarter.

A block-by-block review of the Company's activities follows.



Gippsland Basin offshore

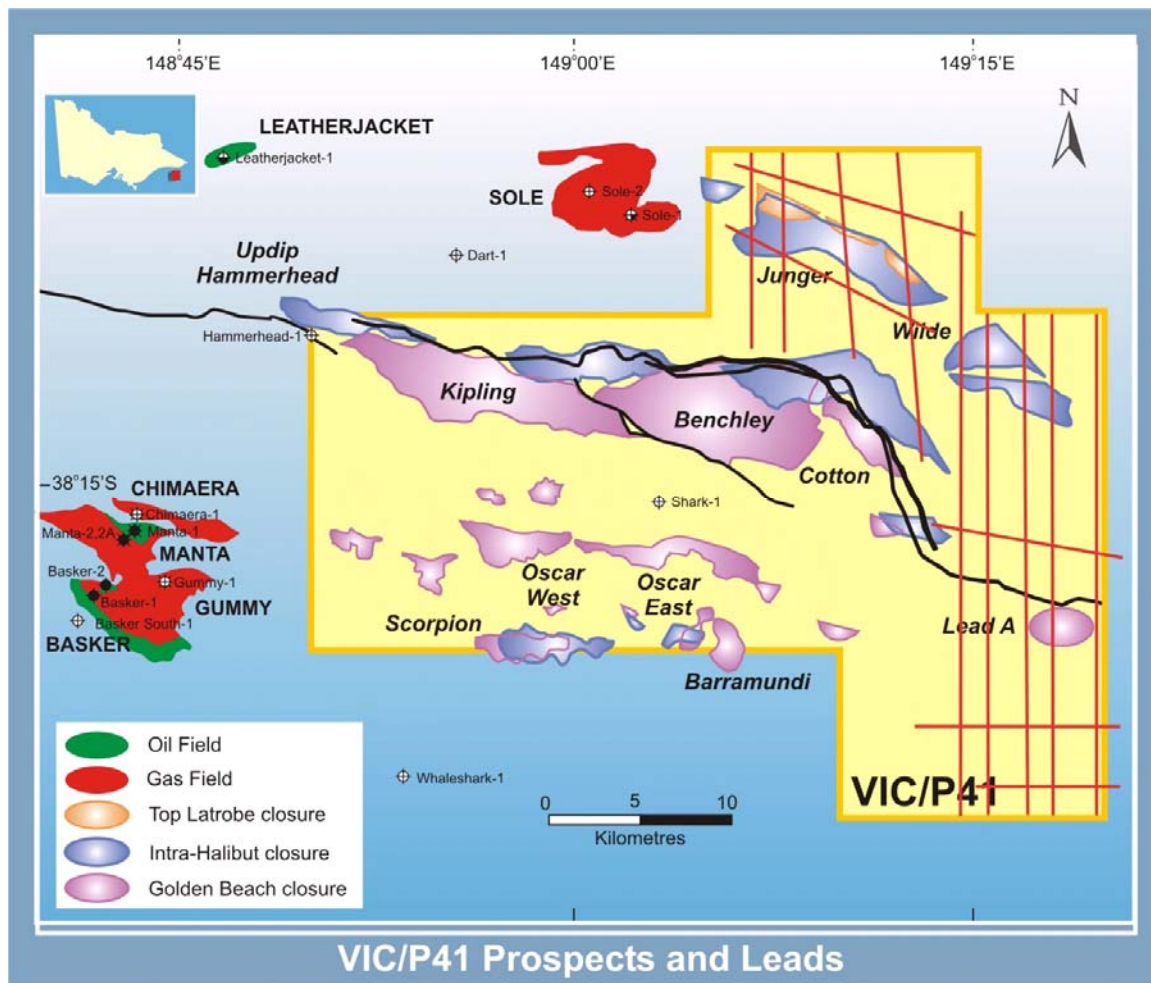
Vic/P41, BAS 45% and Operator

Permit Vic/P41 is located in the offshore Gippsland Basin, approximately 40 km south of the eastern Victorian coast (see location map below).

Data acquisition for the 2008 Vic/P41 offshore 2D seismic survey commenced on 1 June 2008 and was completed on 4 June 2008. Weather conditions for the survey were excellent and operations were completed without incident and with minimal down-time. The 2008 2D survey recorded a total of 295 km of new seismic data in the east of the permit and has fulfilled the Vic/P41 Year 3 work programme commitment, which calls for a 250 km 2D seismic survey by September 2009.

The joint venture accelerated the Vic/P41 2D seismic commitment in order to better define the eastern area of the permit, where several leads are defined only on sparse existing data. The new data is now being processed. The interpretation and mapping of the final processed data will proceed over the next several months. Integration of the 2008 survey results with existing data will provide an updated understanding of the area's potential.

This eastern area of Vic/P41 has not been targeted for significant exploration in the past, partly due to its being located further out in the Basin than existing producing fields. Also, at least in the southeastern corner of the permit, previous exploration was discouraged by increasing water depths that are now within reach of modern drilling rigs. When the Vic/P41 joint venture first acquired a reconnaissance 2D seismic survey in the east of the permit in 2003, it was the first seismic survey targeting this area since the 1970s.



This 2003 survey identified a number of leads. One example of specific interest to be followed-up by the 2008 survey is the 'Lead A' feature which, while currently defined on only one 2003 2D seismic line, shows several encouraging aspects and may prove to be a significant prospect.

While BAS continues to invest in new 2D seismic data in the east, the western area of Vic/P41 was covered by 3D seismic in 2005. Based on this 3D survey data, several large prospects along the Rosedale Fault trend are interpreted as analogous to the Kipper oil and gas field, which lies on-trend to the west, outside Vic/P41. Development plans for Kipper have been announced targeting first production for 2011.

Further to the south within Vic/P41, 3D seismic also defines the Oscar prospects, which are interpreted to be on trend with and analogous to the producing Basker / Manta / Gummy (BMG) fields, which are outside the BAS permit area to the west. BMG commenced oil production in December 2006.

While the Vic/P41 3D-defined prospects are ready to be tested, the timing of any potential drilling is dependent on the availability of a semi-submersible drilling rig slot in the Gippsland Basin (with current scheduling indicating potential availability in 2010) and on the progress of farmout negotiations.

Vic/P42, BAS 20%

Permit operator Apache Energy drilled the Speke South-1 exploration well between 7 April and 22 April 2008. The well was drilled using the West Triton jackup rig to a depth of 3137 metres and reached the primary objective Golden Beach Subgroup with no significant shows or indications of pay. Speke South-1 was plugged and abandoned in accordance with the approved drilling programme.

The Speke South well and the 3D seismic data on which it was located were completed at no cash cost to BAS under a farmout agreement with Apache. With the drilling of Speke South-1, Apache has completed its Vic/P42 farmin obligation. BAS retains a 20% interest in the permit.

Vic/P42 now has extensive modern 3D seismic coverage and the future potential of the permit resides in a strong inventory of undrilled prospects and leads. The prospects and leads inventory will be updated utilising the latest 3D seismic data and geological data from Speke South-1 well.

Vic/P42 lies adjacent to Kingfish, Australia's largest oil field, as well as a number of other Esso/BHPB producing oil and gas fields. Gas and condensate discoveries at ZaneGrey (BAS, 2005) and Omeo, lie within Vic/P42.

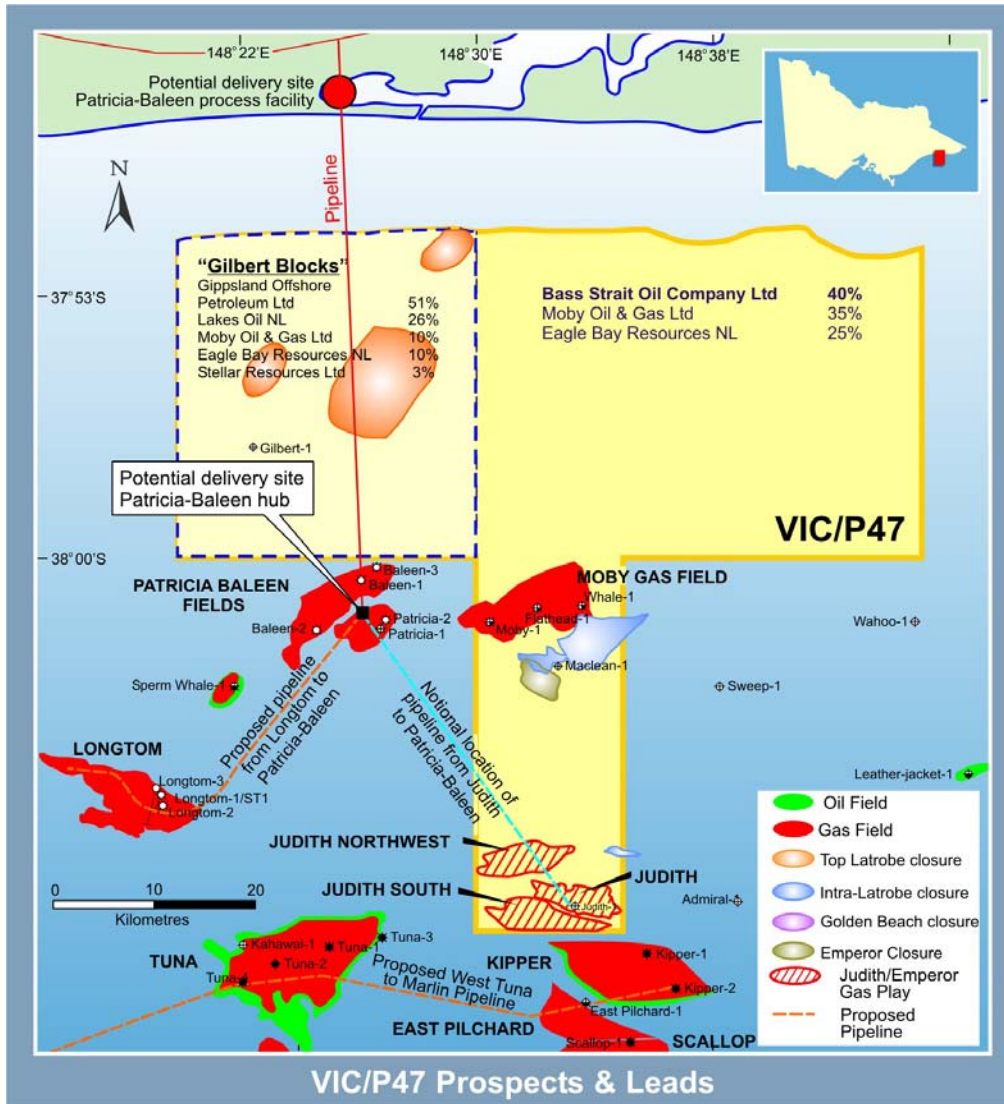
Vic/P47, BAS 40% and Operator

Permit Vic/P47 is located in the offshore Gippsland Basin, approximately 5 km offshore, south of the Victorian town of Orbost. Water depths range from 20 to 80 metres and the permit covers an area of some 718 sq km.

The permit contains the Judith Gas Discovery, which is located 22 km east of the Longtom Gas Field where Nexus Energy holds a 100% interest and is planning first gas from its new development in April 2009. Longtom will be the first commercial production from the Emperor Subgroup, a geological unit which also forms the reservoir at Judith.

During the quarter internationally recognized consultants, Gaffney, Cline & Associates (GCA) completed an independent resource certification of the Judith Gas Discovery and associated prospects in Vic/P47.

The Judith-1 well was drilled by Shell in 1989, but not production tested or appraised. GCA reports that a gross gas column of 290 metres can be interpreted from Judith-1 electric log data and GCA has performed a new, independent petrophysical analysis that calculates 135.5 metres of net gas pay in the Judith-1 well.



The principal results of the GCA Certification Letter are as follows:

Contingent Recoverable Gas Resources for the Judith Gas Field (ie based on the known accumulation penetrated by Judith-1)

	Low Estimate	Best Estimate	High Estimate
Estimated Ultimate Recovery (Bscf)	48.3	193.7	934.2

In addition to Contingent Recoverable Gas Resources identified from the Judith-1 well, GCA has certified Prospective Recoverable Gas Resources for the both the Judith Field area and Judith Northwest area (the "Greater Judith Area"). This provides an independent estimate of the undiscovered potential related to Judith, as follows:

	Low Estimate	Best Estimate	High Estimate
Estimated Ultimate Recovery (Bscf)	28.7	209.8	801.3

Therefore the total resource potential (discovered and undiscovered) of the Greater Judith Area within Vic/P47 is:

Contingent+ Prospective Recoverable Gas Resources for the Greater Judith Area

	Low Estimate	Best Estimate	High Estimate
Estimated Ultimate Recovery (Bscf)	77.0	403.5	1735.5

Note: all estimates quoted are 100% Vic/P47 joint venture volumes

*Bscf = Billion standard cubic feet

While BAS plans to focus on appraising Judith based on the Best Estimate volumes, GCA has estimated very significant upside potential for the Greater Judith Area, at over 1,700 Bscf recoverable. BAS is now conducting a more detailed assessment of Judith appraisal options, including seismic re-processing and analysis.

By way of comparison, the Longtom Field is being developed on the basis of a contract to sell 350 PJ (approximate conversion = 325 BScf) of sales gas. In this context, and with moves by other operators to export gas from eastern Australia in the form of LNG, together with the growing pressure for higher gas prices and the building awareness of gas as a much cleaner alternative to coal for electricity generation, the Company is very encouraged by the GCA Judith resource certification result.

The timing of any potential drilling at Judith is dependent on further appraisal studies and planning, the availability of drilling rig slots and on the progress of funding / farmout discussions by the Vic/P47 joint venture.

Otway Basin onshore

PEP 167: BAS 100%

Exploration permit PEP 167 is located in the onshore Otway Basin, near Portland, in western Victoria. BAS holds a 100% interest in the permit which comprises some 833 sq km.

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.

During the quarter, BAS progressed the re-processing of the existing 2D seismic grid over the Windermere discovery. The Company is now re-mapping the feature on the basis of this revised database.

Windermere-1 produced 32 barrels of 41 API oil from an open-hole test of the Heathfield Sandstone Member. BAS's review indicates that there is good potential to achieve commercial flow rates at Windermere, particularly given careful well design, modern drilling techniques and potentially employing horizontal drilling. The economics of any oil production that may be established in this area are favourable, with good access and relatively short transport distance to the Geelong refinery.

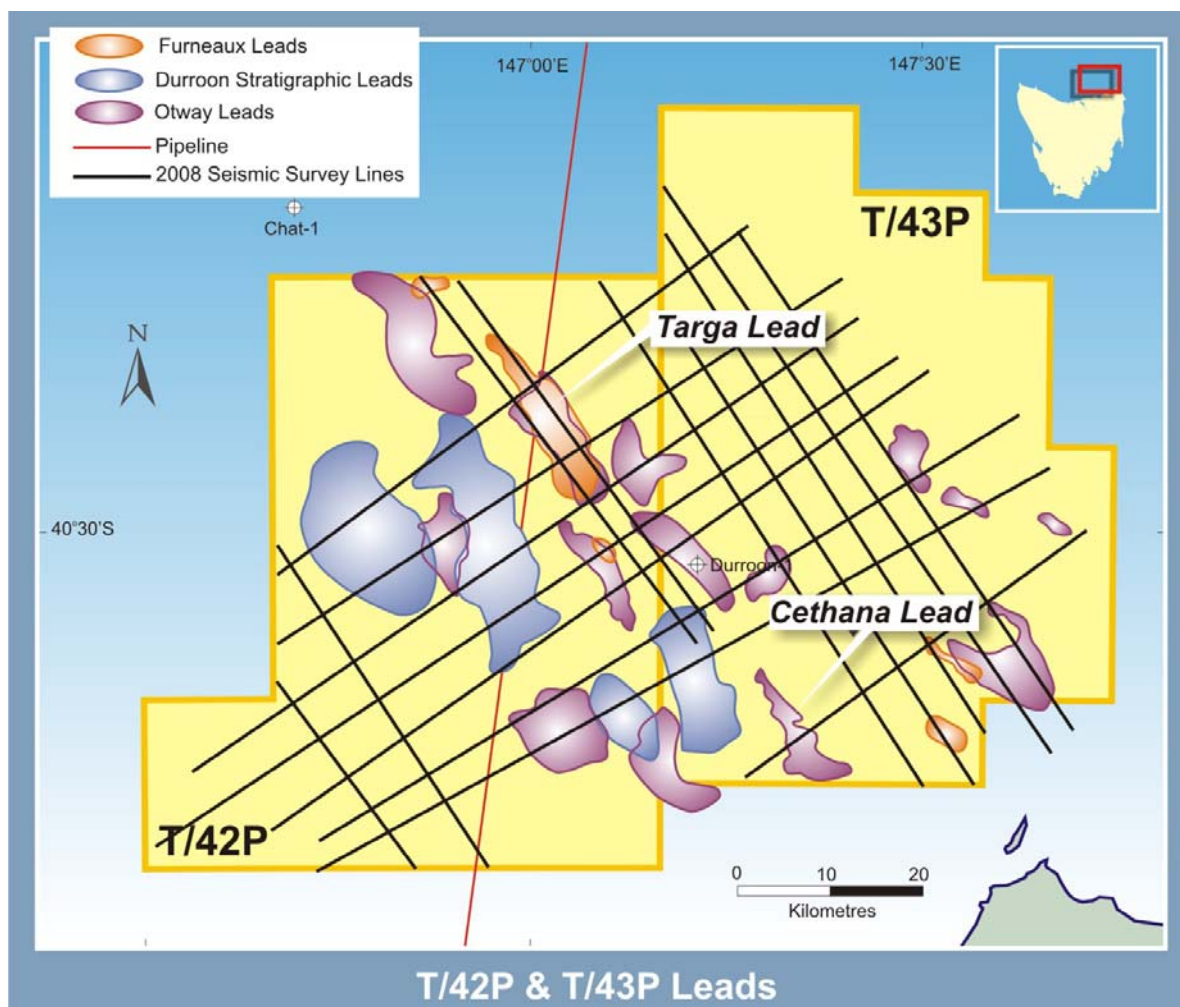
While no operational schedule has yet been confirmed, appraisal strategies including seismic and / or drilling are being evaluated.

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 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.

Bass Basin offshore

In the Bass Basin, the Company holds a 100% interest in permits T/42P and T/43P covering virtually the entire Durroon Sub-basin. The Durroon Sub-basin extends north from approximately 15 km off the north coast of Tasmania, in water depths ranging from 35 to 80 metres. These permits cover approximately 6140 sq km and provide BAS with the potential to create significant value by pursuing this 'grass roots' exploration opportunity.



Data acquisition for the Company's 'Targa' offshore 2D seismic survey commenced on 4 May 2008 and was completed on 31 May 2008. Operations were successfully completed without incident and with minimal down-time. A total of 1,192 km of new seismic data was recorded.

Data from the survey is now being processed and interpreted in order for BAS to create new and more detailed subsurface mapping of the Durroon Sub-basin area of the Bass Basin. The new Targa 2D data will be integrated with existing geological and geophysical data, some of which BAS expects to re-process to modern standards in conjunction with the new survey. The resulting updated maps will allow BAS to further define a number of high-potential leads identified from our existing database.

The Targa survey is the first new exploration investment in this area since the early 1990s. BAS views the Durroon Sub-basin as a prospective and under-explored area which forms an integral part of its regional acreage portfolio strategy.

The Targa survey fulfils the Year 3 permit obligation for both permits.

Andrew Adams
 Managing Director
 31 July 2008

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

BASS STRAIT OIL COMPANY LTD

ABN

13 008 694 817

Quarter ended ("current quarter")

30 JUNE 2008

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	34	340
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(308)	(786)
1.3 Dividends received	(141)	(1025)
1.4 Interest and other items of a similar nature received	8	72
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	(407)	(1399)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c)other fixed assets	-	(74)
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	-	(74)
1.13 Total operating and investing cash flows (carried forward)	(407)	(1473)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(407)	(1,473)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,284
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)	-	(188)
	Net financing cash flows	-	3,096
	Net increase (decrease) in cash held	(407)	1623
1.20	Cash at beginning of quarter/year to date	3696	1666
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3289	3289

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	83
1.24	Aggregate amount of loans to the parties included in item 1.10	0

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	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	1,250
4.2 Development	-
Total	1,250

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	1636	211
5.2 Deposits at call	1653	3485
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3289	3696

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	155,450,953	155,450,953		
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>	2,300,000 300,000 1,050,000 550,000 1,500,000 1,500,000	- - - - - -	<i>Exercise price</i> 25 15 25 30 15 15	<i>Expiry date</i> 30/9/2008 30/11/2009 30/6/2010 30/6/2010 20/6/2010 3/06/2011
7.8 Issued during quarter	1,500,000	-	15	3/06/2011
7.9 Exercised during quarter				
7.10 Expired during quarter	500,000 200,000	- -	15 25	30/06/2008 30/09/2008
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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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:

(Managing Director)

Date: 31 July, 2008

Print name: Andrew R. Adams

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.