



## BASS STRAIT OIL COMPANY LTD

ACN 008 694 817

Level 1  
99 William Street  
Melbourne Victoria 3000 Australia

Tel: (+61 3) 9927 3000  
Fax: (+61 3) 9614 6533  
Email: [admin@bassoil.com.au](mailto:admin@bassoil.com.au)  
Website: [www.bassoil.com.au](http://www.bassoil.com.au)

19 February 2008

Dear Shareholder

### **Letter of Offer: Non-Renounceable Rights Issue**

Bass Strait Oil Company Limited ("**BAS**" or "**the Company**") is making a new pro-rata entitlement share issue to current shareholders.

BAS invites shareholders who are registered at 7.00pm AEDT on 18 February 2008 ("**Registered Shareholders**") at the "**Record Date**") to participate in a pro-rata non-renounceable rights issue on the basis of one (1) fully paid ordinary share in the Company ("**Shares**") for every five (5) Shares held, at an issue price of 12.5 cents per Share ("**Rights Issue**").

The Rights Issue will result in the issue of up to approximately 25,908,493 Shares ("**Rights Issue Shares**") and will raise approximately \$3,238,561 before costs of the Rights Issue.

Pursuant to provisions introduced into the Corporations Act 2001 ("**Act**") in 2007 (Section 708AA), the Company is not required to prepare a prospectus for the Rights Issue. However, a Shareholder Update on the Company's strategy, projects and activities accompanies this Letter of Offer, together with an Entitlement and Acceptance Form. Shareholders may view the Company's ASX releases at [www.asx.com.au](http://www.asx.com.au) (ASX code: BAS) and extensive information on the Company and its projects (including ASX releases) at [www.bassoil.com.au](http://www.bassoil.com.au).

The Rights Issue is fully underwritten by Great Missenden Holdings Pty Ltd (a company controlled by Mr E.G. Albers, a director and substantial shareholder of the Company) for a management fee of 1% plus a commission of 4% of the amount raised under the Rights Issue.

Proceeds from the Rights Issue are planned to be used primarily for the recording and processing of 2D exploration seismic data scheduled for 2008. In addition to these projects, a portion of the net proceeds of the Rights Issue are expected to be applied to general exploration activities in southeast Australia and for working capital purposes generally. An indicative scenario for application of the funds raised under the Rights Issue are shown in the table below:

Bass Basin 2D seismic	\$ 1,500,000
Gippsland Basin 2D seismic	\$ 250,000
Other exploration costs	\$ 1,000,000
Underwriting and costs of the issue	\$ 171,928
Working capital	\$ 316,633
	<hr/>
	\$ 3,238,561

Shareholders should note that the Company's 20% interest in the forthcoming Speke South-1 offshore exploration well in Vic/P42 will be fully funded by Apache Energy Ltd, as part of its farmin obligations. The proceeds of the Rights Issue are not required, and will not be used, to fund Speke South-1.

The Rights Issue is being conducted in accordance with the following timetable:

- Rights Issue Record Date Monday, 18 February 2008 at 7.00pm AEDT
- Dispatch of Entitlement & Acceptance Form Wednesday, 20 February 2008
- Rights Issue opens Wednesday, 20 February 2008
- Rights Issue closes Friday, 7 March 2008
- Allotment of Rights Issue Shares Monday, 17 March 2008

All of the abovementioned dates may be subject to change. The Company reserves the right to amend this timetable including, subject to the Corporations Act 2001 and the ASX Listing Rules, to extend the closing date.

A personalised Entitlement and Acceptance Form and a reply paid envelope is enclosed for use by Registered Shareholders. If you are eligible and wish to participate in the Rights Issue, it will be necessary for you to complete this personalised Entitlement and Acceptance Form and return it, together with the appropriate application monies, to the Company's share registry before 5.00pm AEDT on the closing date of Friday 7 March 2008.

If you have any questions in relation to the Rights Issue, please do not hesitate to contact the Company on 03 9927 3000.

A handwritten signature in black ink, appearing to read 'Andrew Adams', with a stylized, cursive script.

Andrew Adams  
Managing Director  
19 February 2008

## **Additional Information**

### **Entitlement and Acceptance Form**

A personalised Entitlement and Acceptance Form is enclosed, showing the number of Rights Issue Shares to which you, as a Registered Shareholder, are entitled. Fractional entitlements have been rounded down.

All applications for Rights Issue Shares must be made on the Entitlement and Acceptance Form. If you wish to take up all or part of your entitlement under the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the form. Any application will be treated as an offer from the applicant to acquire Rights Issue Shares on the terms and conditions set out in this Letter of Offer. The directors of the Company reserve the right to reject any applications for Rights Issue Shares in whole or in part.

Please ensure the completed Entitlement and Acceptance Form and your payment for the Rights Issue Shares are received by the Company's share registry, no later than 5.00pm AEDT on 7 March 2008, as follows:

#### **By hand delivery at:**

Link Market Services Limited  
Level 9, 333 Collins Street  
Melbourne, Victoria 3000 Australia

#### **By post at:**

Link Market Services Limited  
GPO Box 2785  
Melbourne Vic 8060 Australia

### **Payment Terms:**

The payment of 12.5 cents per Rights Issue Share applied for pursuant to the Rights Issue must be made in full and cheques in respect of applications for Rights Issue Shares must be in Australian currency drawn on an Australian bank, made payable to "**Bass Strait Oil Company Ltd Share Subscription Account**", and be crossed "Not Negotiable". Applicants should not forward cash. Receipts for payment will not be issued. Payment must accompany the duly completed Entitlement and Acceptance Form.

### **Non-Acceptance of Entitlement**

If you do not wish to take up any part of your entitlement under the Rights Issue, you are not required to take any action. If you decide not to accept all or part of your entitlement, the Rights Issue Shares not accepted will form part of the shortfall and will be dealt with in accordance with the underwriting agreement between the Company and Great Missenden Holdings Pty Ltd. If you do not take up your entitlement, your percentage holding in the Company will be diluted.

### **Overseas Shareholders**

The Company is of the view that it is unreasonable to make an offer under this Letter of Offer to shareholders outside of Australia and New Zealand having regard to:

- (a) the number of shareholders outside of Australia and New Zealand as a proportion of total shareholders in the Company;
- (b) the number and value of the securities to be offered to shareholders outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make offers under this Letter of Offer to shareholders outside of Australia and New Zealand.

### **Ranking**

Rights Issue Shares to be allotted will rank equally with all existing ordinary Shares on issue.

### **Risk Factors**

Investors should be aware that an investment in the Company involves many risks which may be higher than the risks associated with an investment in other companies. Intending investors should refer to announcements made by the Company to ASX. This information is available from the ASX website [www.asx.com.au](http://www.asx.com.au) - the Company's ASX code is BAS – and the Company's website [www.bassoil.com.au](http://www.bassoil.com.au). Intending investors should review announcements made by the Company in order to fully appreciate such matters and the manner in which the Company operates before making a decision regarding the Rights Issue.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Rights Issue Shares. Investors should note that the Rights Issue Shares to be issued pursuant to this Letter of Offer carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares.