



PEP167 FARMIN OPPORTUNITY

OTWAY BASIN EXPLORATION PERMIT PEP167 **ONSHORE SOUTH EAST AUSTRALIA**

WINDERMERE-1 OIL DISCOVERY - APPRAISAL OPPORTUNITY IN A LOW COST ONSHORE SETTING

- **Appraise/develop 1987 Windermere-1 oil discovery**
- **Commercial flow potential from low permeability sands supported by studies**
- **Scope recoverable volume estimates 0.8 to 5.8 MMbbls**
- **Nearby to SE Australian growth energy market**
- **Low cost operating environment**
- **Good road access to refinery and established infra structure**
- **Follow up multiple exploration plays within permit**
- **Possible follow up to the 2002 Port Fairy-1 oil and gas discovery**
- **Significant equity available (BAS holds 100%)**

PERMIT and OTWAY BASIN SUMMARY

Exploration permit PEP167, located in the onshore Otway Basin SE Australia, was awarded to Bass Strait Oil Company Limited (BAS, 100%) on July 2, 2007 (Figure 1). BAS also has a 15% farmin option on adjoining permit PEP150 which is pending a permit award. The PEP167 permit covers 833 sq kms of primarily agricultural land with gentle terrain and good internal road access. There are no environmentally sensitive areas or Crown land issues. The Geelong refinery facilities (ca 200 kms to the east) are within easy reach by sealed highway. Unlike more remote parts of Australia, PEP167 boasts local significant industry and related infra structure including a nearby deep water port at Portland.

BAS is targeting the oil potential of the onshore Otway Basin. Within PEP167, two hydrocarbon discoveries have been made by previous operators – the 1987 Windermere-1 oil well and the 2002 Port Fairy-1 oil and gas well. Oil was also encountered in the Lindon wells drilled within PEP150. While multiple plays have been identified in PEP167, potential for an early oil development at Windermere is the prime focus. Further appraisal of the Windermere oil is now planned with firstly 3D seismic acquisition to better define the trapping mechanism and aid in well planning, followed by an appraisal/development well.

BAS is seeking farminee(s) in order to fund the forward Windermere programme.

PERMIT PROSPECTIVITY

The Otway, Gippsland and Bass basins are all located in SE Australia. All three basins formed as a result of two major rifting episodes – Late Jurassic to Early Cretaceous followed by the second phase in Late Cretaceous time. All three basins are hydrocarbon producers.

A total of seven exploration wells have been drilled within PEP167 (Figure 2). However, Shaw-1 and Koroit West-1 were shallow tests to <1,000m (Figure 2). The Windermere and Port Fairy hydrocarbon discoveries indicate a working petroleum system.

Interpretation and mapping of the regional PEP167 seismic data base (Figure 2) has identified multiple plays within the permit's Early Cretaceous to Tertiary section (Figure 3). However, the 1987 Windermere-1 oil discovery within low permeability Heathfield sands of the Early Cretaceous mid Eumeralla Formation is viewed as offering potential for an early commercial development and is being aggressively pursued. As follow up to the Windermere project, further seismic acquisition would address the permit wide plays which also offer

attractive potential. For example, given Windermere appraisal success, the Heathfield leads identified east of Windermere would be priority targets to pursue.

Since Windermere-1 was drilled, oil field technology has advanced and low permeability reservoirs are now clear candidates for commercial development. Various technical studies focused on Windermere's oil potential have provided a platform to move forward with a Windermere appraisal programme. Much of the work has focused on the two key risk factors - reservoir quality/well deliverability and subsurface structural definition. Completed studies include seismic reprocessing, seismic interpretation and mapping, reservoir engineering studies, and petrophysical evaluations for key wells. Key conclusions from the studies are:

- Oil produced in Windermere-1 is a valid test (32 bbls in open hole DST#2).
- Formation damage in existing wells can likely be managed with modern drilling techniques.
- Windermere-2 drilled in 1989 tested a separate fault block.
- Scope Windermere recoverable volume estimates 0.8 to 5.8 MMbbls
- Reservoir modelling indicates good potential to achieve commercial flow rates from the low permeability sands using horizontal drilling techniques.

A commercial success at Windermere is considered a realistic expectation. With the application of current drilling technology aimed at avoiding formation damage combined with deviated/horizontal well completions, modelling indicates potential oil flows up to 1300 Bbls/day may be achieved. Formation damage of similar tight reservoirs in early drilling campaigns has been recognised elsewhere but with commercial developments ultimately successful (e.g. Tirrawarra oil field).

The relatively low cost onshore operating environment (e.g. option to truck oil to refinery) is commercially favourable.

Imaging of the complexly faulted subsurface has proven difficult on the 2D seismic data. A 3D seismic survey is therefore planned in order to accurately locate, design and track an appraisal/development well. Total surface coverage of ca 50 sq kms would likely be required. Appraisal drilling would then follow.

FARMIN TERMS

BAS is looking to farmout equity in PEP167 in return for funding the forward Windermere appraisal programme. Farmin terms and deal structure are negotiable.

CONTACTS

Bass Strait Oil Company Ltd
Level 1, 99 William Street
Melbourne, Victoria, Australia
Phone +61 3 9927 3000
Website: www.bassoil.com.au

Andrew Adams, Managing Director, aadams@bassoil.com.au
Keith Jackson, Exploration Manager, keith.jackson@bassoil.com.au

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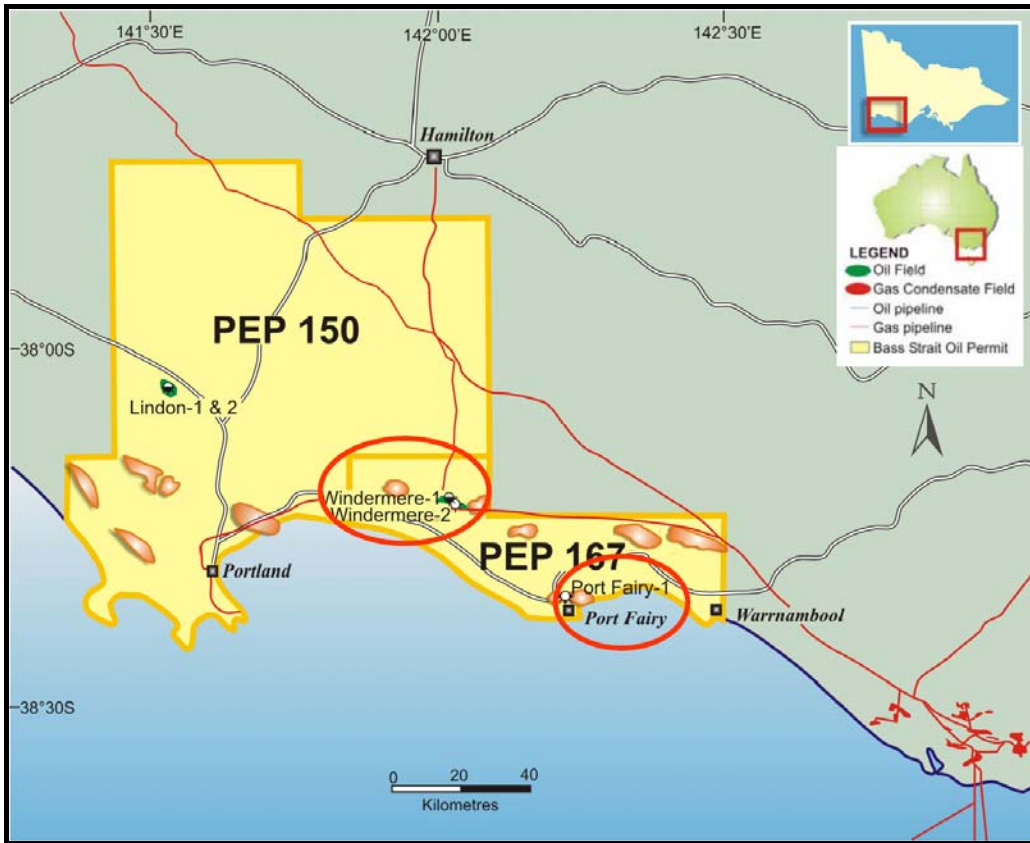


Figure 1: PEP167 location map

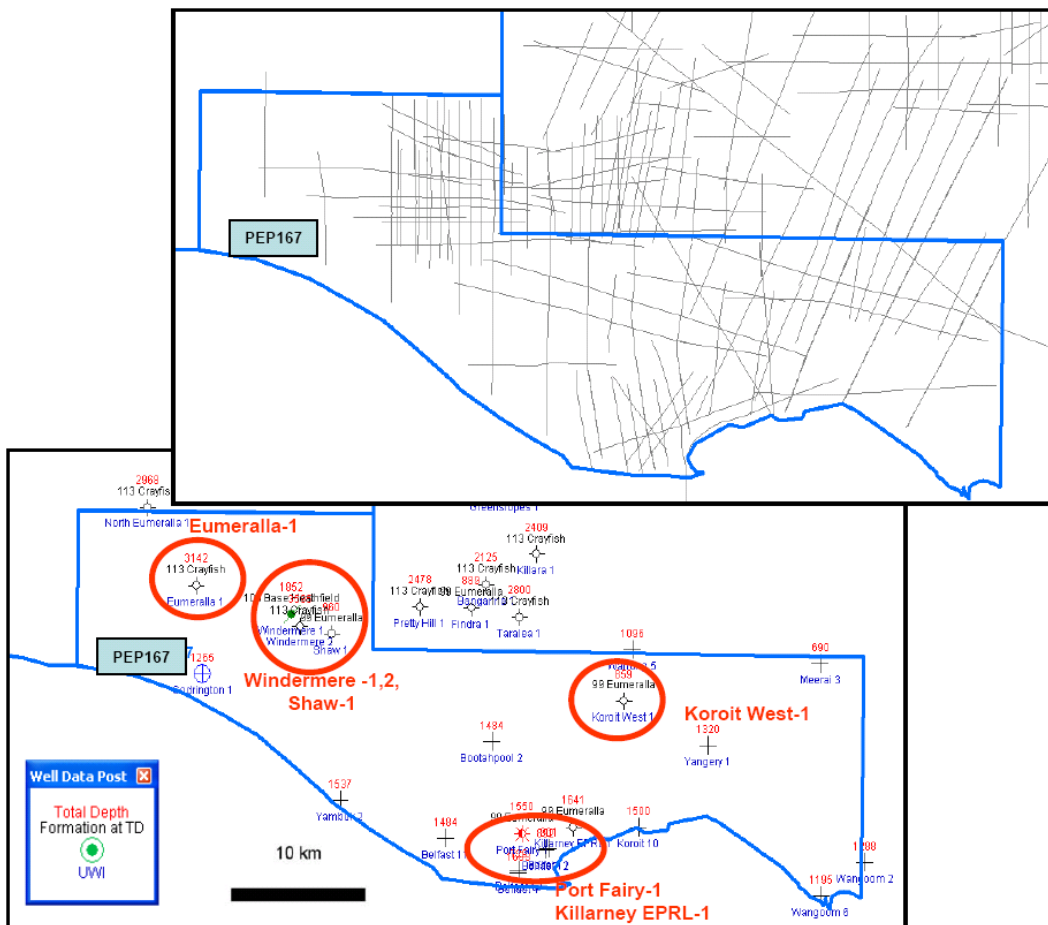


Figure 2: PEP167 – exploration well and seismic data base

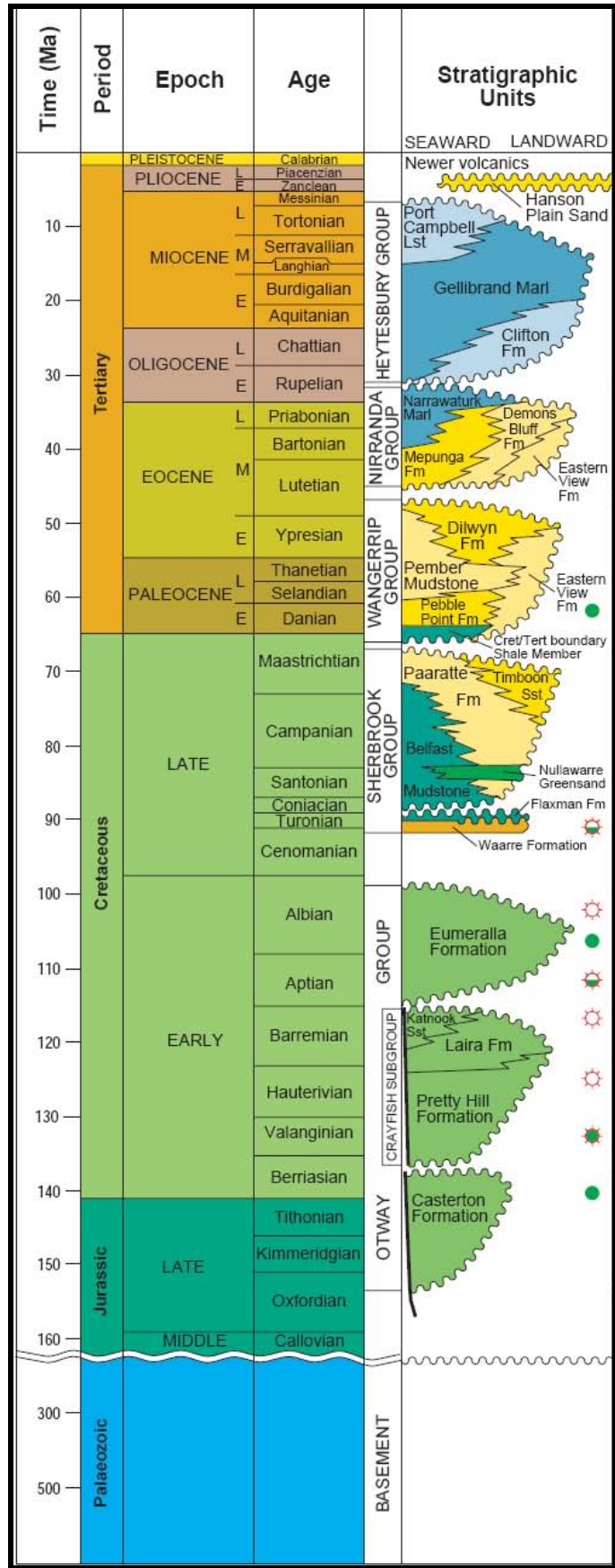


Figure 3: Otway Basin stratigraphy