

VIC/P41 FARMIN OPPORTUNITY

GIPPSLAND BASIN EXPLORATION PERMIT VIC/P41 **OFFSHORE SOUTH EAST AUSTRALIA**

EXPLORATION OPPORTUNITY IN A PROVEN PROLIFIC PETROLEUM PROVINCE

- **High volume, drill ready exploration prospects defined on 3D seismic data**
- **Under explored permit - two 1980's wells drilled on 2D, both invalid tests**
- **Prospects on migration path out of present day oil generative kitchen**
- **Well defined field analogues**
- **Nearby to SE Australian growth energy market**
- **Well developed regional infra-structure**
- **Significant equity available - all Joint Venture partners looking to farmout**

PERMIT and GIPPSLAND BASIN SUMMARY

Exploration permit Vic/P41 is located on the north eastern margin of the offshore Gippsland Basin, in south east Australia's Bass Strait (Figure 1). The permit covers an area of some 1079 km², in water depths of 120 -1500m. The Vic/P41 Joint Venture partners are Bass Strait Oil Company Ltd 45% (Operator), Moby Oil & Gas Limited 30%, and Strategic Energy Resources Ltd 25%. All JV partners are looking to farmout equity in order to fund exploration drilling. The permit is in good standing with the Year 4 well commitment due to be drilled by Q4, 2010.

The Gippsland is a proven prolific basin. It is Australia's premier crude oil province as well as a major gas producer with initial proven reserves of ca 4.2 billion barrels of crude/condensate, 720 MMbbls LPG and 11.2Tcf natural gas. Estimated remaining reserves were about 270 MMbbls crude/condensate, 165 MMbbls LPG and 4.2 Tcf gas as reported end 2007. The estimated "yet to find" resources in the basin are substantial with the United States Geological Survey P50 estimate being 600 million barrels of liquids and 5 Tcf of gas.

Exploration within the basin can be considered at a mature stage but only for the Top Latrobe Group play which met with substantial early drilling success. However, the focus is now on the far less explored intra Latrobe plays targeting the basal Halibut, Golden Beach and Emperor subgroups (Figure 2) which are expected to be major contributors to future hydrocarbon discoveries in the basin.

PERMIT PROSPECTIVITY

The unsuccessful Hammerhead-1(1982) and Shark-1 (1989) are the only wells drilled in the permit. Both were defined on 2D seismic with subsequent evaluation on 3D seismic data showing them to be structurally invalid tests.

Vic/P41 remains under explored by the drill bit. Yet nearby commercial fields, including Sole (Top Latrobe), Kipper (Golden Beach Subgroup), Basker/Manta/Gummy (basal Halibut and Golden Beach subgroups) and Longtom (Emperor Subgroup), demonstrate a working petroleum system in adjoining permits. In terms of exploration risk, Vic/P41 is well located with respect to the basin's proven petroleum system. Given the nearby oil/gas fields and the regional geologic framework, the presence of reservoir/seal pairs and access to hydrocarbon charge are not significant risks. Furthermore, charge modelling indicates an enhanced chance of a dominant oil phase migrating into the permit's traps. Source rocks are expected to be present day oil generative in kitchens immediately south/south west of Vic/P41. All nearby fields demonstrated the effectiveness of fault closures. Hence intra Latrobe trap definition is

considered the main geological risk. To address this, the JV acquired the Oscar 3D seismic survey in 2005.

Interpretation and mapping of the 3D data has led to major advances in the understanding of the permit's geology and overall prospectivity, identifying diverse exploration opportunities and defining several intra Latrobe prospects (Figures 3 and 4).

The 3D defined prospects can be considered in two groups:

- Kipling, Benchley and Cotton - fault closures on the downthrown side of the Rosedale Fault system on trend with the analogue Kipper field.
- The Oscar prospects (particularly Oscar East and West) - downthrown fault closures, south of the Rosedale Fault, on trend with the analogue Basker/Manta/Gummy fields.

Importantly, Kipper and Basker/Manta/Gummy being downthrown fault closures demonstrate the effectiveness of cross fault seals in this part of the basin (Figure 4).

Vic/P41 prospect volume potential is high. Projection of the lowest closing contour from the Kipper field suggests that Kipling and Benchley may form a single prospect of approximately 180 km² within the Vic/P41 permit boundary (Figure 4). Kipper, Kipling and Benchley exhibit similarly anomalous AVO data. Based on the Kipper analogue (gas with an oil rim), the AVO response can be interpreted as crestal gas caps at Kipling and Benchley with the combined downdip oil potential being estimated at about 500 MMbbls recoverable. The Kipling and Benchley gas potential is also very substantial being estimated at 3+Tcf recoverable.

The Oscar prospects offer well defined fault traps with good access to modelled oil-mature kitchens. Seismic anomalies indicative of hydrocarbons are not present nor expected given the Basker/Manta/Gummy analogues. Potential volumes are attractive as exemplified by Oscar East with ca 10 km² closure and estimated 130 MMbbls oil in place.

The leads mapped on 2D data are also of interest particularly Scorpion and Lead A with estimated in place volume potential of 90 and 130 MMbbls respectively. AVO anomalies are associated with Lead A but the lack of relevant well control and the 1.5 x 5 kms seismic grid are limiting factors in the assessment of the anomalies.

FARMIN TERMS

All Joint Venture partners are now looking to farmout equity in the Vic/P41 permit in return for funding exploration drilling in the permit. Farmin terms are negotiable.

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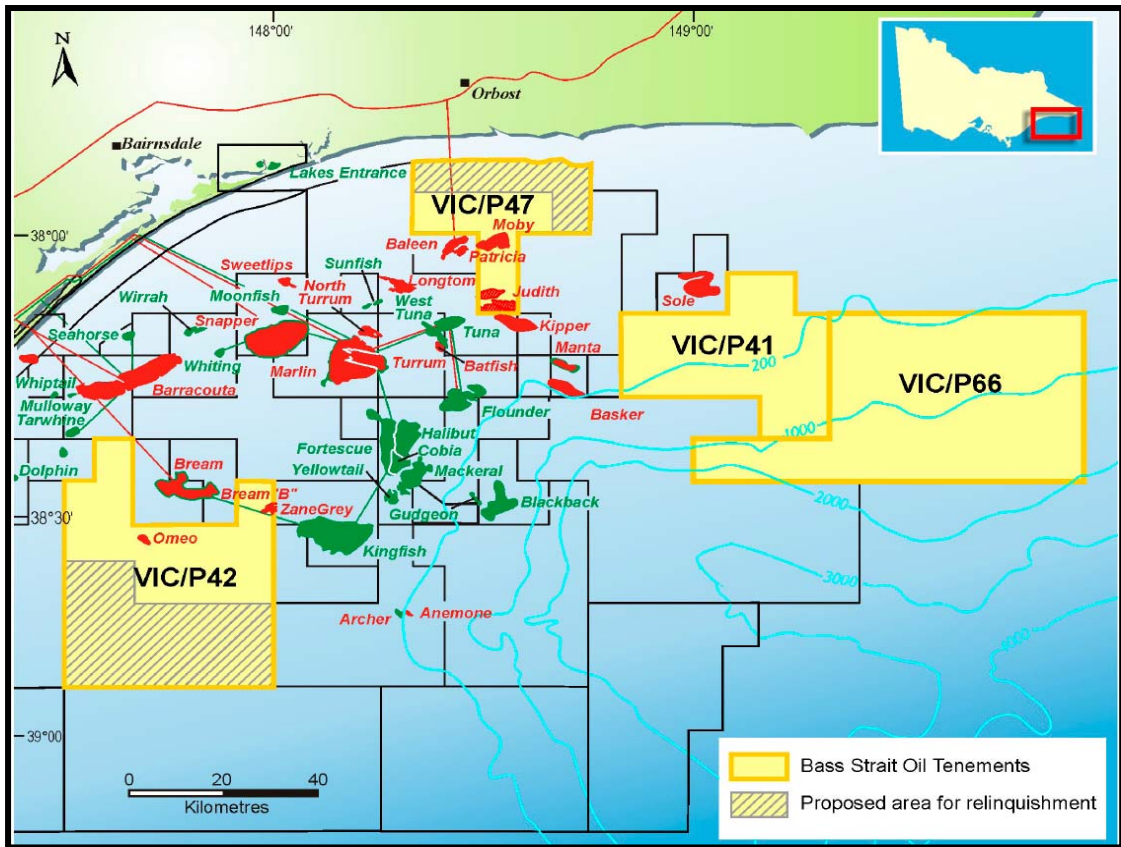


Figure 1: Gippsland basin permits with Bass Strait Oil Company equity, including Vic/P41

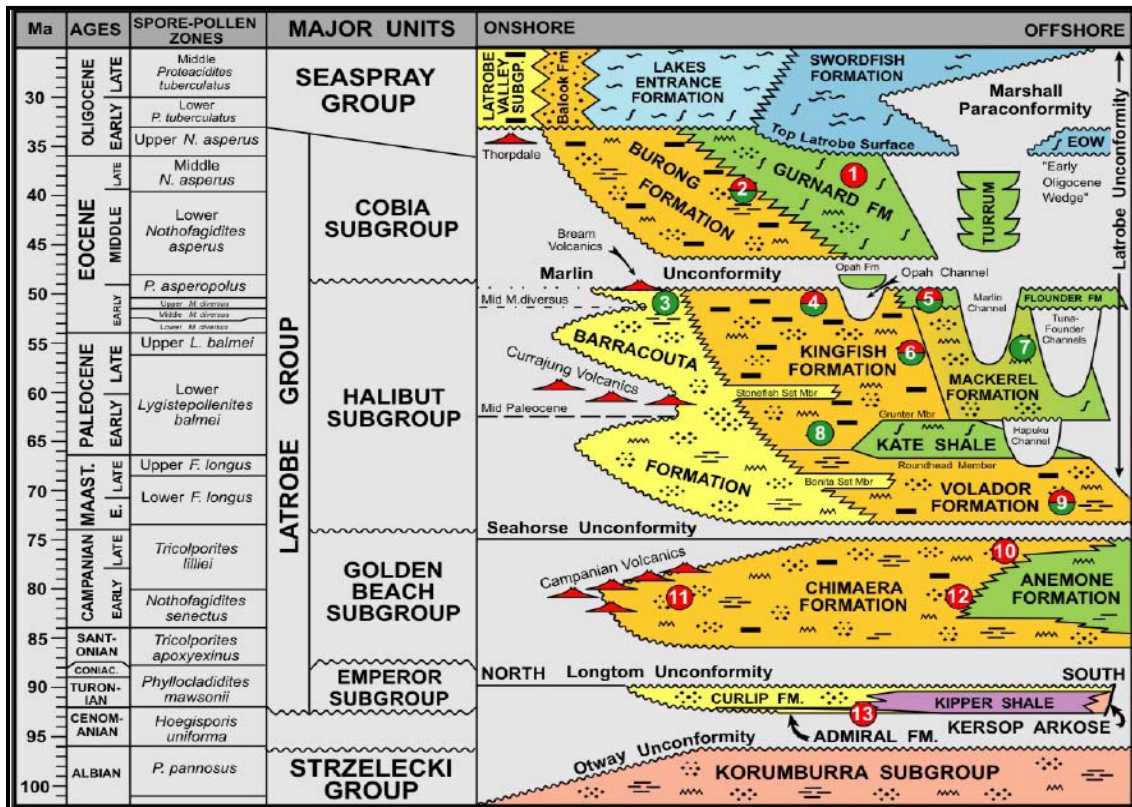


Figure 2: Gippsland Basin stratigraphic nomenclature

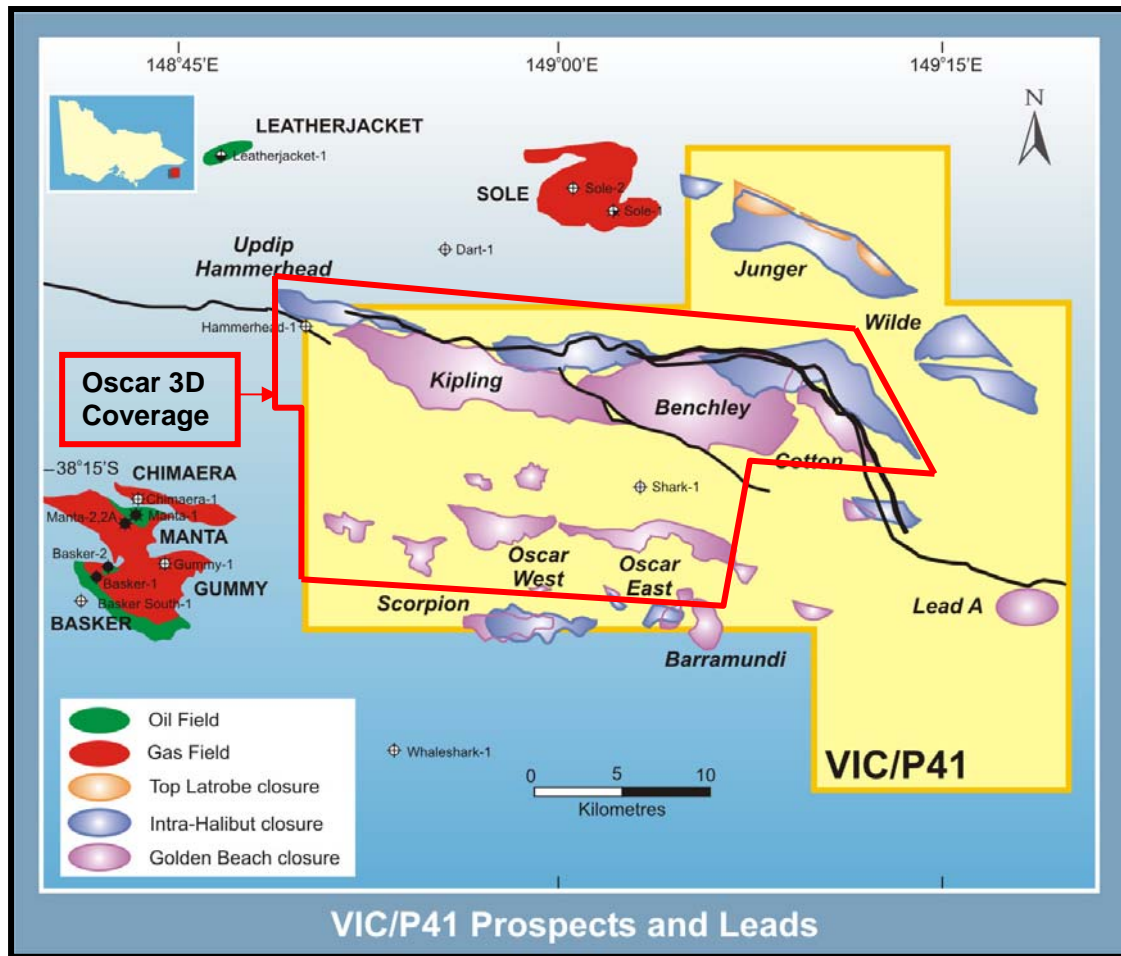


Figure 3: Vic/P41 prospects and leads

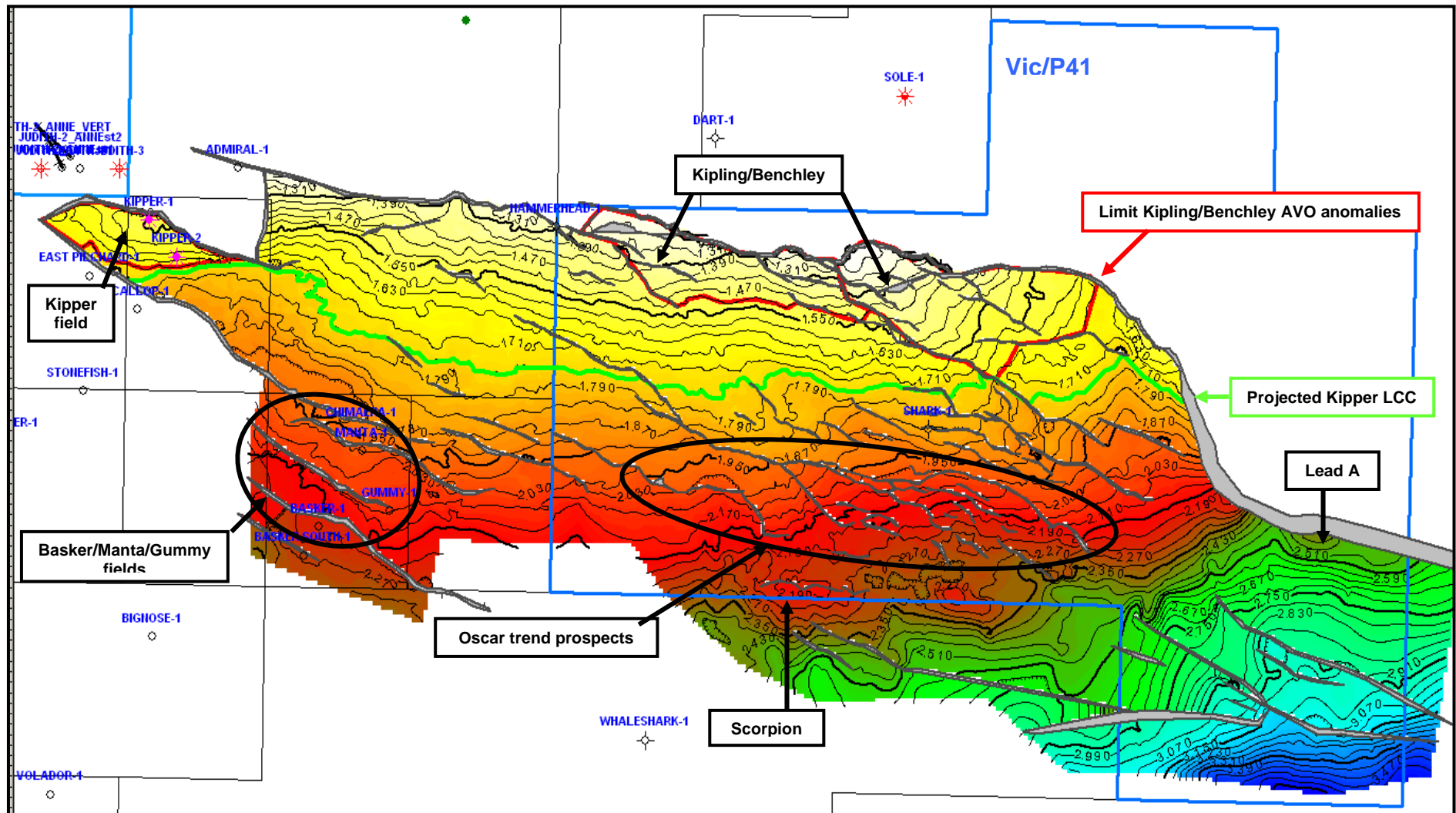


Figure 4: Regional Top Golden Beach time map showing structural relationship between analogue Kipper and Basker/Manta/Gummy fields with identified Vic/P41 prospects