

**GIPPSLAND BASIN EXPLORATION PERMIT VIC/P47**
OFFSHORE SOUTH EAST AUSTRALIA**JUDITH-1 GAS DISCOVERY - APPRAISAL/DEVELOPMENT OPPORTUNITY**

- **TARGET 2.3 Tcf UPSIDE JUDITH CONTINGENT & PROSPECTIVE GIIP (GAFFNEY, CLINE & ASSOCIATES RESOURCE CERTIFICATION 2008)**
- **RESERVOIR PERFORMANCE DEMONSTRATED BY PRODUCING ANALOGUE LONGTOM GAS FIELD**
- **ESTABLISHED NEARBY GAS PRODUCTION INFRA-STRUCTURE**
- **NEAR TO THE GROWTH ENERGY MARKETS OF SE AUSTRALIA**
- **SIGNIFICANT EQUITY AVAILABLE**

PERMIT and GIPPSLAND BASIN SUMMARY

Exploration permit Vic/P47 is located on the northern margin of the offshore Gippsland Basin, Bass Strait, south east Australia (Figure 1). Judith-1 is approximately 40 kms offshore and water depths range up to 85m across the permit. The Vic/P47 Joint Venture partners are Bass Strait Oil Company Ltd 40% (Operator), Moby Oil & Gas Limited 35%, and Strategic Energy Resources Ltd 25%.

The Gippsland is a proven prolific basin. It is Australia's premier oil province as well as a major gas producer. The Patricia/Baleen (gas), Longtom (gas/condensate), Kipper (gas/oil) and Tuna (gas/oil) are commercial hydrocarbon fields located in adjacent permits.

Within the permit area, two gas discovery wells have been drilled - Judith-1 and Moby-1. The Judith-1 gas discovery drilled by Shell in 1989 is considered analogous to the Longtom gas field, located 22 km to the west. At both Longtom and Judith, gas is reservoirized within multiple sands of the Emperor Subgroup in fault related traps. The success of the Longtom appraisal drilling initiated in 2004 and the subsequent development of the Longtom gas resource have positively impacted on the Emperor play. Judith gas is now considered ready for appraisal. Moby-1 was drilled by the JV in 2004. However, Moby volume potential is assessed as modest (some tens of Bscf) but could be a satellite development to Judith.

The Vic/P47 permit is in good standing with no outstanding well or seismic commitments. The first permit term ended on December 27, 2008. The JV entered into a renewal term, retaining the blocks over the "greater" Judith and Moby discovery areas, for a further five years on 23rd November 2009. The renewal work programme requires technical studies and seismic reprocessing in the firm Years 1 to 3 with a well in Year 5.

JUDITH GAS RESOURCE

Based on wide ranging technical studies, the Judith-1 gas discovery is considered to have similar appraisal/development potential as was the case at Longtom in 2004. Studies include:

- Regional geology and petroleum system analysis
- 3D seismic interpretation and mapping
- Well log analysis
- Reservoir engineering
- Judith resource certification (Gaffney, Cline and Associates 2008)
- Judith appraisal strategies
- Conceptual development scenarios and costings
- Gas market studies

Contingent resources have been certified in the Judith-1 area for gas bearing sands penetrated by the well. Prospective resources have been certified for potential gas sands below the Judith-1 TD and for the adjacent undrilled fault blocks referred to as Judith South and Judith Northwest (Figures 2 and 3). Seismic amplitudes increase confidence in the prospective resources.

The independent and BAS studies have provided the platform for moving forward with a Judith appraisal programme. Key results include:

- Independent assessment of a 290m gross gas column, 135m net in Judith-1.
- Certified recoverable contingent Judith-1 gas resources of 193 Bcf best estimate, with an upside of 934 Bcf.
- Plus certified recoverable prospective gas resources in the greater Judith area of 210 Bcf best estimate with an upside of 801 Bcf.
- Total combined contingent and prospective gas initially in place volumes are 621 Bcf best estimate with an upside of 2.3 Tcf.
- Viable development scenarios evaluated.
- Independent studies recommend appraisal drilling.
- Appraisal drilling options independently assessed.

The areal distribution of the gas resource volumes indicates at least 300+ Bscf of combined contingent and prospective resources could be addressed with appraisal drilling in the Judith-1 area alone (upside of 1.4Tcf recoverable). A combination of a vertical well followed by highly deviated wells intersecting as many sands as possible is the likely optimum way to appraise the field. The Longtom appraisal adopted such an approach successfully proving commercial gas flows as well as substantial gas volumes (booked 2P gas reserves of 350PJ).

Various Judith gas field deliverability scenarios were assessed which suggest a 200 Bcf outcome could support development tied back to the nearby Patricia Baleen facility (Figure 3) with ca 400 Bcf a potential standalone development.

In a regional sense, commercial aspects are positive with Vic/P47 located close to the gas markets of SE Australia, directly south of the Eastern Gas Distribution Pipeline and Patricia-Baleen Gas Processing Plant, and adjacent to the Patricia Baleen subsea hub. The forward projection is for increased domestic gas prices in SE Australia with market opportunities likely to open up in the short term.

FARMIN TERMS

All Joint Venture partners are now looking to farmout equity in the Vic/P47 permit in return for funding appraisal drilling at Judith. Farmin terms are negotiable.

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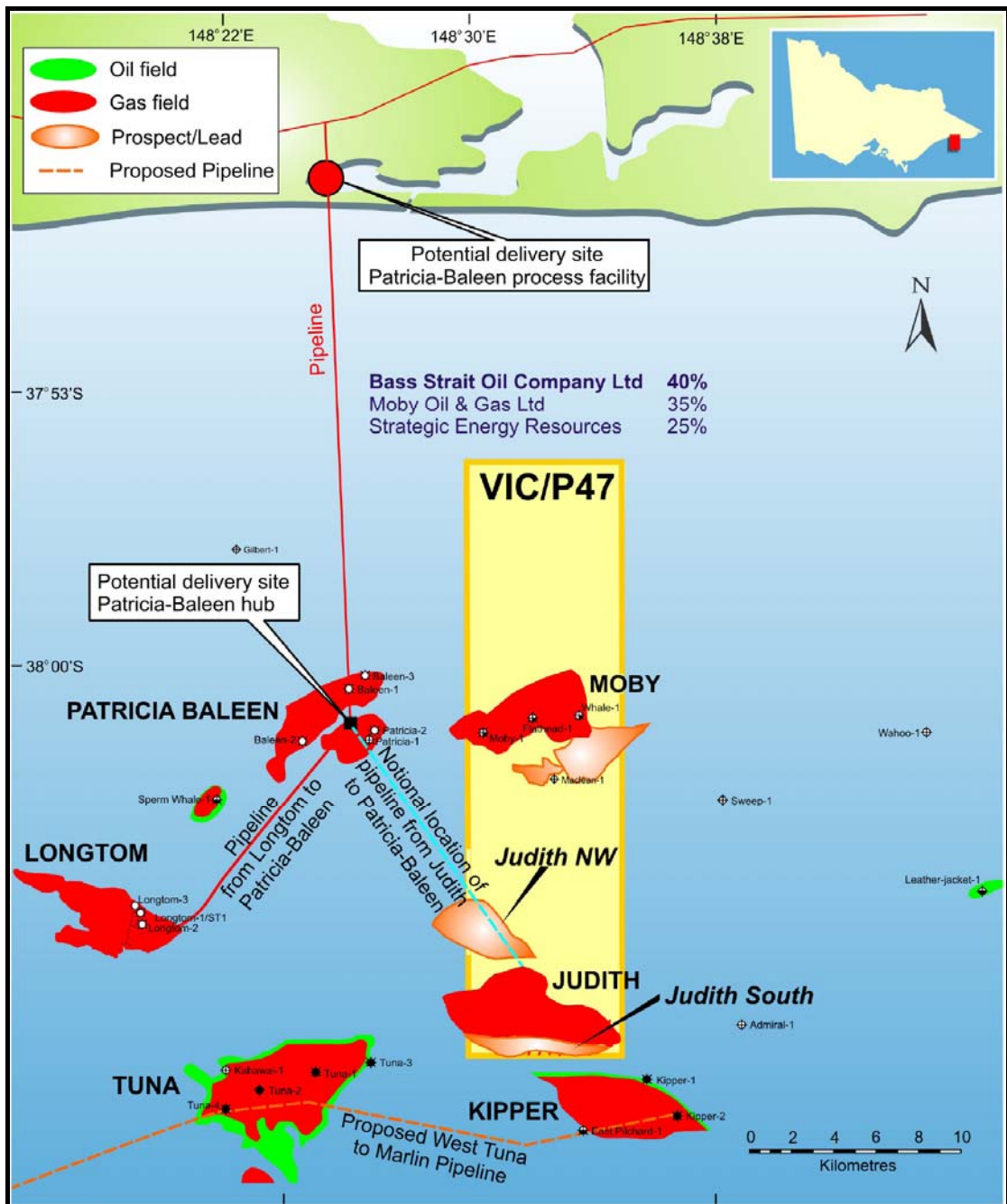


Figure 3: Vic/P47 location map showing Judith gas development scenario via Patricia Baleen