

## **QUARTERLY REPORT DECEMBER 2004**

---

Bass Strait Oil Company Ltd ("BAS" or "Company") presents its summary of exploration activities, for the quarter ended 31 December 2004

### **HIGHLIGHTS**

- The Company completed its Initial Public Offering (IPO) and listed on the Australian Stock Exchange (ASX code: BAS) on 30 September 2004 following the raising of \$16 million in new capital. Shares have since traded at a healthy premium to issue price.
- A gas discovery at Moby-1 in Vic/P47 during October, marked a successful start for the Company's extensive Gippsland Basin exploration programme.
- Commitment to 3D seismic surveys in each of Vic/P47 and Vic/P41, with the 3D seismic program in Vic/P47 focussing on the Moby feature.

### **EXPLORATION ACTIVITIES**

#### VIC/P47, GIPPSLAND BASIN (BAS 40% and operator)

In October the Moby-1 well was drilled and confirmed a new field gas discovery. Moby-1 achieved its objective with preliminary results supporting the pre-drill model and expectations of the Moby structure, as described in the Company's prospectus.

The Moby-1 well is located 25 km south of Orbost, Victoria. Drilling commenced on 7 October 2004 and the rig was released on 17 October 2004.

The top of the primary target Gurnard Formation was intersected 17 metres high to prognosis, and slightly thicker than originally estimated (32 metres versus 25 metres). Elevated gas readings together with some indications of fluorescence were recorded while drilling the Gurnard Formation. Gas samples taken on wireline formation tester confirmed the Moby structure as a new field gas discovery.

Detailed evaluation of wireline log results and sidewall core samples from Moby-1 continued during the quarter.

Moby-1 is located approximately 5 km east of the producing Patricia Baleen gas field. Based on preliminary analysis of wireline logs, the nature of the gas shows while drilling and the description of the reservoir rock from drill cuttings, the Company believes the Moby-1 reservoir section is comparable to the Patricia Baleen gas reservoirs. Preliminary analysis of gas samples taken indicates a gas composition of predominantly methane, only 1% CO<sub>2</sub> and no H<sub>2</sub>S. This is also comparable to gas being produced from the Patricia Baleen field.

The well intersected the gas fluid contact as programmed. This is interpreted as indicating that there is extensive gas potential higher on the Moby structure, as at least 105 metres of vertical closure is mapped above the level of the gas fluid contact intersected in Moby-1.

Moby-1 has also confirmed that the 3D seismic amplitude anomaly as indicating the presence of gas is as predicted by the pre-drill interpretation. This result holds out promise for the potential for the accumulation to also be areally extensive to the south and east beyond existing 3D seismic control. This promise is to be tested by the shooting of 148 kms<sup>2</sup> of new 3D seismic data over the full potential area of the Moby accumulation which was undertaken during the quarter. This survey was completed soon after the close of the quarter. This data could be used to locate a Moby appraisal well in 2005 as part of BAS's Gippsland drilling programme with the Ocean Patriot rig.

Lakes Oil has elected to drill Gilbert-1 within the Gilbert Blocks (4 graticular blocks) of Vic/P47. BAS will act as operator for the Gilbert-1 well, but will not hold an interest in it.

BAS holds a 40% interest in Vic/P47 (excluding the Gilbert Blocks) following a farmout from Eagle Bay Resources NL and farmin by Moby Oil & Gas Limited, who contributed the first \$3.75 million to the cost of Moby-1 as part of its agreement with BAS.

#### VIC/P42, GIPPSLAND BASIN (BAS 50% and operator)

Activity in Vic/P42 focused on the ZaneGrey-1 well where the rig is now on location and has commenced drilling.

ZaneGrey is a faulted anticlinal structure updip of Nannygai-1, a well drilled in 1972 on older 2D seismic data, which encountered good oil shows and an interpreted 6m of live oil in intra-Latrobe Group sandstones. BAS' evaluation of their 2002 3D seismic data indicates that the Nannygai-1 well may have drilled on the northern closure limit at intra-Latrobe Group levels. It is interpreted that the 6m of oil in the well may be part of a more significant accumulation over ZaneGrey.

BAS estimates the ZaneGrey prospect has scope to contain an unrisks prospective resource of 134 million barrels of recoverable oil within Vic/P42. The ZaneGrey prospect lies just 7 km west of Australia's largest oil field, the 1.2 billion barrel Kingfish field, and is mapped to partially extend into the Kingfish production licence area. It is understood that the Kingfish production facilities are underutilised suggesting that there could be, subject to commercial negotiation and agreement, an opportunity to connect any ZaneGrey discovery to this infrastructure. None-the-less, stand alone development options would likely also be considered for any ZaneGrey discovery.

The target level in the intra-Latrobe is mapped at approximately 2800 metres below sea level and it is programmed that the Ocean Patriot rig will take approximately 20 days to reach this depth. Total depth for the well is programmed at approximately 3150 metres below sea level and operations are scheduled for at least 29 days.

ZaneGrey-1 is the Company's second well using the Ocean Patriot drilling rig. BAS has options for a further three wells with the Ocean Patriot, which is contracted for multiple wells in the area for several operators. One of these well options is held for the benefit of Lakes Oil NL (see above).

BAS also reviewed the existing geological and geophysical data over the 1983 Omeo gas discovery to determine whether 3D seismic coverage will be acquired over the feature. If approved by the joint venture, seismic data could be acquired as part of a multi-survey 3D programme planned for early 2005.

VIC/P41, GIPPSLAND BASIN (BAS 45% and operator)

During the quarter BAS secured the services of the Western Trident 3D vessel to record new 3D seismic data in Vic/P41. A Vic/P41 survey of 500 sq km of 3D seismic is scheduled for mid to late February.

This survey will be recorded as part of a multi-survey 3D programme in the Gippsland Basin managed by Apache Energy.

No 3D seismic has previously been recorded in Vic/P41. The planned survey will target the area on trend with the Kipper field and to the south of the Sole field in order to evaluate the eastward extension of the Kipper field trend. BAS believes that this trend is highly prospective and that modern 3D will give every chance of identifying Kipper-style prospects using direct hydrocarbon indicators.

During the quarter Moby Oil & Gas Limited elected to earn a 30% interest in Vic/P41 by contributing \$1 million to the cost of the first 250 kms<sup>2</sup> of data and then pro rata as to 30% for the next 250 kms<sup>2</sup> of data. BAS now holds a 45% interest.

TL/1, BASS BASIN (BAS 0.0648% over-riding royalty)

The BassGas project is reported as being close to completion and is expected to commence production the first quarter of 2005.

**CORPORATE MATTERS**

The Company was listed on the ASX on 30 September 2004 (Code : BAS) following a Prospectus issue which raised \$14.4 million via the issue of 72 million new shares at 20 cents each to a range of institutional and public investors.



**E.G. Albers**  
Chief Executive Office  
Melbourne, Australia  
31 January 2005

# 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")

31 DECEMBER 2004

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	159	437
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(5,303)	(5,818)
1.3 Dividends received	(478)	(619)
1.4 Interest and other items of a similar nature received	39	66
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(5,583)</b>	<b>(5,936)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets		
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)		
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	<b>(5,583)</b>	<b>(5,936)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(5,583)	(5,936)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	47	16,047
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Share issue costs	(791)	(982)
	<b>Net financing cash flows</b>	(744)	15,065
	<b>Net increase (decrease) in cash held</b>	(6,327)	9,129
1.20	Cash at beginning of quarter/year to date	15,560	104
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	9,233	9,233

**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	118
1.24	Aggregate amount of loans to the parties included in item 1.10	

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		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	8,000
4.2 Development	
<b>Total</b>	8,000

### 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		15,560
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>		15,560

### 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	Vic/P47		75%	40%
	Vic/P41		75%	45%
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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	119,042,468	102,216,043		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	157,944	157,944		
7.5 <b>*Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	4,092,056 3,400,000		<i>Exercise price</i> 30 cents 25 cents	<i>Expiry date</i> 30/6/2007 30/9/2008
7.8 Issued during quarter				
7.9 Exercised during quarter	157,944		30 cents	30/6/2007
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## 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: ..... Date: 31/1/2005  
(Director)

Print name: D.B. HILL

## 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.

====

---

+ See chapter 19 for defined terms.