

## **QUARTERLY REPORT SEPTEMBER 2005**

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Bass Strait Oil Company Ltd ("BAS" or "Company") presents a summary of its activities for the quarter ended 30 September 2005

### **EXPLORATION ACTIVITIES**

Bass Strait Oil Company Ltd is the operator of three offshore Gippsland Basin petroleum exploration permits.

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

Data processing for the 575 km<sup>2</sup> Oscar 3D seismic survey was completed during the quarter and BAS has now commenced a seismic interpretation project to delineate prospective leads identified on older 2D seismic data. Preliminary results are encouraging and BAS is optimistic that the Oscar 3D survey will generate a number of prospects that may be suitable drilling targets.

The Kipling feature is the highest-ranked Vic/P41 lead, with scope for prospective recoverable resources of 118 million barrels of oil and 820 billion cubic feet of gas as mapped using the existing 2D seismic data. It is on trend with and analogous to the Kipper oil and gas field where first production is planned for 2009.

Similarly, the Vic/P41 Oscar lead is analogous to the Basker Manta oil and gas fields where the Basker-2 well recently conducted a successful production test. Installation and commissioning of production facilities is continuing at Basker, with first oil production due this year.

With the application of the Oscar 3D seismic data, BAS hopes to mature Oscar and Kipling, as well as other Vic/P41 leads, to drillable prospect status. Any prospects matured would be ready for drilling in 2006, subject to drilling rig availability.

The Vic/P41 permit enters a new five year term on 13 February 2006. 50% of the permit area will be relinquished, with the remainder subject to a work programme to be negotiated with the Department of Primary Industries. BAS is confident that all areas of prospective interest will be retained, including the entire Oscar 3D survey area.

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

During the quarter, the Company reported that interpretation of data from the ZaneGrey-1 exploration well indicated the well intersected 2.5 metres of net gas and condensate pay near the edge of the accumulation.

ZaneGrey-1 recovered hydrocarbon samples confirming the presence of a gas and condensate accumulation. However, technical assessment of ZaneGrey-1 results has been difficult due to

operational problems during drilling and the equivocal nature of some well data, particularly reservoir pressure measurements.

Based on this analysis, BAS considers that the ZaneGrey-1 discovery would not currently support a commercial development.

The Vic/P42 permit contains the Omeo-1 gas/condensate discovery drilled by Aquitaine in 1982. All available seismic and well data in the area of this discovery is being assessed in anticipation of further delineation work, including the possibility of a new 3D seismic program over this discovery.

New emphasis is being given to the potential for oil accumulations in the under-explored northwest area of the permit. These plays include leads analogous to the nearby Dolphin and Perch producing oil fields. Subject to joint venture approval, this area could also be the focus of a new 3D survey.

In the light of the ZaneGrey-1 results, recent activity has been directed towards reviewing known Vic/P42 prospects. Several of these prospects are defined by modern 3D seismic recorded by BAS in 2002; namely, Edina Deep, Gurnard Deep and Hemingway.

The Vic/P42 permit will enter Year 5 of a six year term on 13 February 2006. The Year 5 commitment has already been fulfilled as a result of the Vic/P42 3D seismic survey recorded by BAS in 2002.

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

Activity during the quarter focused on planning and preparation for a drilling programme to test the Gilbert and Maclean prospects. The two-well, back-to-back programme was conducted with the Ocean Patriot rig during the period 2 October to 22 October 2005.

BAS operated both wells, but holds no participating interest in the 'Gilbert Blocks' farmout area of the permit where the first well, Gilbert-1, was drilled. BAS will receive a fee for operating this well.

The second well, Maclean-1, was located in the area of Vic/P47 where BAS retains its 40% participating interest. The Maclean-1 project was shielded from the current high rig rates due to the long-term Ocean Patriot contract.

Gilbert-1/1A encountered fluorescence and hydrocarbon shows in the Gurnard Formation indicating that hydrocarbons have moved into the Gilbert area. However, pressure measurements and formation fluid samples recovered from the well indicated that the target formations were water-bearing. It was concluded that Gilbert-1A did not encounter commercial hydrocarbons.

The Maclean-1 well targeted a downthrown fault closure with Latrobe Group sandstones as the main reservoir target. The well intersected the reservoir zones as planned but there was no evidence of significant hydrocarbons in the well. Due to the fault-sealed nature of the play, trap sealing had been highlighted as the major risk prior to drilling the Maclean prospect. Given the absence of shows at this location in the prolific Gippsland Basin, BAS believes that a lack of fault sealing, and therefore a lack of an effective hydrocarbon trap, is the most likely explanation for the Maclean-1 result.

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

The BassGas project is experiencing delays in rectification and commissioning operations. On 12 October 2005 Origin Energy reported that it expects first gas to be exported from the offshore platform by 31 December 2005, with commissioning to continue for up to a further three months.

On 18 July 2005 Origin Energy announced 2P sales gas reserves had been increased by 26% to 324 PJ.

*This exploration report is based on information compiled by BAS's Technical Advisor, Mr Ian Reid. Mr Reid is engaged by BAS, is a qualified person as defined under the ASX Listing Rule 5.11 and has consented in writing to the inclusion of the above estimates in this report, in the form and context in which they appear.*

## **CAPITAL RAISING**

Subsequent to the end of the quarter, the Company completed a placement of shares and options to raise \$2,000,000. Patersons Securities Limited acted as Lead Manager for the issue.

10,000,000 new BAS shares were placed at 20 cents each, with 5,000,000 free attaching options on a 1 for 2 basis with the new shares. The options are exercisable at 30 cents on or before 30 June 2007.

Subject to the issue of an Offer Information Statement (OIS), an application will be made for the 30 June 2007 options to be quoted on the ASX. It is planned to issue an OIS by the end of November.

The \$2,000,000 raised by the placement will provide BAS with additional working capital to continue with its 2006 exploration programme and, importantly, with the opportunity to expand its acreage holdings and to secure new opportunities for further near-term drilling activity.

## **CORPORATE MATTERS**

On August 19 2005 the Board announced the appointment of Andrew Adams as Chief Executive Officer of the Company, reporting directly to the Board of Directors. At the same time, Mr E.G. Albers, the founder of the Company, vacated the Chief Executive Officer position and became a non-executive Director.



**David Hill**  
Company Secretary  
Melbourne, Australia  
28 October 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")

30 SEPTEMBER 2005

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	601	601
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(969)	(969)
1.3 Dividends received	(233)	(233)
1.4 Interest and other items of a similar nature received	21	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
<b>Net Operating Cash Flows</b>	<b>(580)</b>	<b>(580)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(8)	(8)
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>	<b>(8)</b>	<b>(8)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(588)</b>	<b>(588)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(588)	(588)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
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		
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(588)	(588)
1.20	Cash at beginning of quarter/year to date	2,756	2,756
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	2,168	2,168

**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	109
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	1,000
4.2 Development	
<b>Total</b>	1,000

### 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	1,130	1,732
5.2 Deposits at call	1,038	1,024
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	2,168	2,756

### 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		
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>	119,242,468	102,316,043		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>	4,592,056 3,200,000 1,050,000 1,050,000		<i>Exercise price</i> 30 cents 25 cents 25 cents 30 cents	<i>Expiry date</i> 30/6/2007 30/9/2008 30/6/2010 30/6/2010
7.8 Issued during quarter	500,000		30 cents	30/6/2007
7.9 Exercised during quarter				
7.10 Expired during quarter	100,000		55 cents	30/9/2008
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: 28/10/2005  
(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.

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