

ASX RELEASE

Letter to Shareholders 7 April 2005

Dear Shareholders

The past months have been an eventful time for the Company. Since listing on 30 September 2004, we have drilled two wells, recorded two 3D seismic surveys and continued to pursue our busy agenda as the operator of three Gippsland Basin exploration permits. On behalf of the Board of Directors, we take this opportunity to present shareholders with an update of Bass Strait Oil Company Ltd's (BAS) activities and to highlight our forward plan.

General Philosophy

It is BAS's exploration philosophy that we take strong positions in projects which we believe have the potential to deliver significant discoveries. Hand-in-hand with this philosophy is the acceptance of the fact that we face high risk levels and that we must accept disappointment, just as we accept success.

We confirm to our shareholders and investors that, as detailed in our prospectus of 2004, BAS is a strong, disciplined and professional exploration company with excellent acreage which has the potential to produce significant returns for shareholders.

We are continuing to move forward.

ZaneGrey-1

Shareholders will be aware that in October 2004 we made the Moby gas discovery and, more recently, the ZaneGrey-1 well made a small hydrocarbon discovery. While the Moby result was very much in line with our prognosis, the ZaneGrey result was disappointing and is unlikely to be developed as a project.

However, on a commercial level, BAS will analyse data and hydrocarbon samples from ZaneGrey-1 and will review potential for future commercialisation, in the light of changing market and pricing conditions.

On a technical level, the discovery at ZaneGrey-1 has proven that the application of our sophisticated depth conversion techniques can unravel, successfully, the complex structural picture in the Gippsland Basin.

In light of this important development of our intellectual property, we are now reassessing our other nearby Vic/P42 prospects, several of which are covered by modern 3D seismic recorded by BAS in 2002, and we are also assessing its application beyond the Bass Strait.

Key Strengths and Strategy Elements

BAS has always believed that it has unique strengths, and stands by its key strategy elements:

- as a long-term Bass Strait specialist, with a clear focus on the prolific Gippsland Basin region, and now with potential to extend beyond the Bass Strait region
- operatorship, where we act as operator of all three Gippsland permits, thus capturing invaluable knowledge and lessons learned from hands-on experience, and the input of both a major international partner (Inpex) and of entrepreneurial Australian joint venture partners
- high joint venture equity levels, which ensure that we have maximum leverage to the high-side in the event of success and also maximum control over the Company's forward agenda
- a highly experienced Board and Management.

Exploration Assets

As detailed in our September 2004 prospectus, BAS exploration assets are significant. The Company's Gippsland Basin acreage position is comprised of:

- 40% interest in Vic/P47 – where we have just completed, successfully, 148 kms² of 3D seismic, as a pre-cursor to drilling Moby-2, and where we also have the Judith and Maclean prospects (both of which are 3D seismic covered)
- 50% interest in Vic/P42 – with Inpex of Japan, where the results of the ZaneGrey discovery have yet to be fully assessed, and where we have a ready-for-drilling portfolio of Edina Deep, Gurnard and Hemingway. In addition, we have the Omeo gas/condensate prospect
- 45% interest in Vic/P41 – where we have just completed, on time and under budget, the Oscar survey 575 kms² of 3D seismic and have the Kipling, Benchley and Oscar leads

BAS believes there is first-rate value in the exploration potential of these permit areas.

3D Seismic Strategy

BAS remains highly active and focused on extracting value from our acreage. This entails locating and maturing drilling targets, which are the lifeblood of an oil exploration company. In the Gippsland Basin context this requires not only the shooting of the latest 3D seismic but also the use of sophisticated depth conversion techniques in interpretation. In particular:

- In January 2005, the Vic/P47 joint venture invested approximately \$2 million in 3D seismic survey in Vic/P47 (over possible extensions to the Moby gasfield) and over the Maclean lead.
- In December 2003 the Vic/P42 joint venture previously invested approximately \$4 million in 420 kms² of 3D seismic survey. This survey produced a number of, as yet, undrilled prospects, including Edina Deep, Gurnard Deep and Hemingway.
- In February 2005, the Vic/P41 joint venture invested approximately \$5 million in a 575 kms² 3D seismic survey in Vic/P41, targeting a number of leads developed from the existing 2D seismic coverage, including Kipling, Benchley, Cotton and Oscar.

The shooting of 3D seismic over a large proportion of our permits, represents a significant investment in filling the Company's medium term pipeline of projects, and is clearly "an

investment in the future". As well as being a vital tool for interpretation, 3D seismic is a vital ingredient to be able to make accurate depth conversion calculations.

Undeveloped Discoveries

Importantly, BAS permits contain three existing undeveloped discoveries which, with further appraisal, have significant scope to create value:

- Vic/P47 contains the Moby gas field, discovered by BAS in October 2004, possible extensions to which are currently being addressed with high resolution 3D seismic, in anticipation of a Moby-2 appraisal well later this year. BAS has assigned P50 (most likely) gas reserves of 60 bcf (billion cubic feet) to the Moby field within Vic/P47.
- Vic/P47 also contains the Judith-1 gas discovery well drilled by Shell in 1989. This feature is a 'look-a-like' to the Longtom discovery in the adjacent permit of Vic/P54, for which accelerated appraisal plans were recently announced.
- Vic/P42 contains the Omeo-1 gas/condensate discovery drilled by Aquitaine in 1982, which is being assessed, in conjunction with Inpex, for further delineation work including the possibility of a new 3D seismic program over this discovery and the western half of this permit.

IMMEDIATE FORWARD PLAN

Commercialisation of Moby Gasfield

BAS's immediate priority is in the commercialisation of the Moby field. The 3D seismic survey recorded in January will soon be processed and will be ready for interpretation in the next few weeks. This will give us information about the field extent and the optimum location of a Moby-2 well. The Company anticipates that this well will be drilled with the Ocean Patriot rig later this year. To date, BAS has held only preliminary discussions regarding the development, production and sales of Moby gas. However, a positive outcome from the Moby 3D seismic is expected to see these discussions expanded in advance of the drilling of Moby-2. We envisage progressing the negotiation of a commercial framework, in parallel with the planning and design of a Moby-2 appraisal/development well.

Maturing of Other Drilling Targets

The Company is now also processing 3D seismic data from the Vic/P41 'Oscar' 3D seismic survey, which was recorded in February. The Oscar survey is targeting further definition of the high-impact Kipling lead, which is along the same fault trend as the Kipper Gas and Oil Field. If successful, this approach could lead to the drilling of Kipling-1 as an exploration well in early 2006. As well as this lead, the survey encompassed a number of other leads; Benchley, Cotton and Oscar, which will be mapped to prospect status.

In Vic/P47, the Moby 3D seismic will not only give us data over Moby extensions but will also give us full coverage of the Maclean lead. In addition, we continue our studies of the Judith prospect.

In Vic/P42 we have three areas of interest; firstly, further analysis of ZaneGrey, then selecting a drilling target from our portfolio of Edina Deep, Gurnard Deep and Hemingway; secondly, studies of the Omeo gas discovery, and; thirdly, the shooting of a new 3D seismic program over the north western position of Vic/P42, including comprehensive coverage of the Omeo features complex (Omeo, Omeo East and Omeo West).

Funding

BAS, in common with all emerging exploration companies, will in the future require further funds for its programmes. In particular, the Company expects that further drilling operations, for example Moby-2, will require capital raising. Additional funds will be raised in a manner deemed most expedient by the Board of Directors at that time, taking into account working capital, exploration results, budgets, sharemarket conditions and the interest of industry in co-participation in the Company's programmes.

Additional funds for exploration could be raised by farmout to industry participants or by any one or a combination of the following manners: placement of shares to eligible investors, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares to the public. Should funds be required for appraisal or development purposes the Company would, in addition, look to project loan finance.

A more detailed Quarterly Report of activities and financial statements will be released to the ASX at the end of this month.

Yours sincerely



Bernard Wheelahan
Chairman



E Geoffrey Albers
Chief Executive Officer