

CORPORATE GOVERNANCE STATEMENT

Bass Strait Oil Company Limited (the Company) and the Company's Board of Directors (the Board) are committed to achieving and demonstrating the highest standards of corporate governance. It does this by ensuring that the Company complies with not only the letter of the many regulations and laws governing the Company's operations but also complies with the spirit and intention of those regulations and laws. It is also committed to ensuring that the shareholders and the market are kept fully informed regarding the Company's operations and strategic direction.

Corporate Governance of the Company is guided by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Recommendations). The Council released the 3rd edition Recommendations in March 2014 and the Board is reporting against these recommendations.

This Corporate Governance Statement was approved by the Board on 1 September 2016 and is available in the Corporate Governance section of the Company's Investor website along with the Company's Board and Committee Charters and its main corporate governance policies: www.bassoil.com.au.

The Company's corporate governance statement provides specific information and disclosure of the extent to which the Company follows the Recommendations. Where a Recommendation has not been followed, the fact is disclosed, together with the reasons for the departure. The Company has lodged Appendix 4G with ASX outlining the extent of the Company's compliance with each of the Recommendations.

Principle 1: Laying Solid Foundations for Management and Oversight

The Board of Directors

The relationship between the Board and senior management is critical to the Company's long-term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Role of the Board

The Board has adopted a formal charter that details the functions and responsibilities of the Board.

A copy of the Board Charter is available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

The Board's responsibilities include:

- Providing leadership of the Company;
- Ensuring that the Company has effective processes and systems;
- Setting, overseeing and maintaining the Company's values, corporate governance framework;
- Safeguarding the reputation of the Company;
- Ensuring there is an effective balance of responsibility between the Executive Director and the Board;
- Ensuring necessary financial and human resources are available ensuring that the performance of management, and the Board itself, is regularly assessed and monitored;
- Promoting a culture where transparent and timely information is shared between management and the Board;
- Ensuring effective communication with shareholders; and
- Appointing, reviewing the performance of, and terminating the Executive Director.

Matters Specifically Reserved For The Board

The Board has reserved for itself the following matters, which are in addition to any matters expressly required by law or other regulation to be approved by the Directors:

- Approving annual operating plans (including objectives, goals and strategies) and regularly reviewing achievement against plan.
- Approving capital requirements.
- Delegating certain authorities to management and monitoring the exercise of these authorities.
- Approving remuneration of the Board and Executive Director.
- Approving capital structure and dividend policy.
- Approving half yearly and full year accounts, the annual report, and related reports to ASX and regulatory authorities.
- Considering management proposals, including material capital expenditure and divestments and providing advice and approvals where appropriate.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- Maintaining corporate and Board values to ensure the Company acts with the highest ethical standards and integrity in accordance with all legal and regulatory requirements and otherwise in accordance with those management and government best practices appropriate to its business.
- Approving and monitoring compliance with the Company's policies, charters and codes.

Relationship between Directors and Management

Subject to the Company's Constitution and matters specifically reserved for the Directors, the Directors delegate responsibility for day-to-day management of the Company to the Executive Director. The non-executive Directors do not participate in the day to day affairs or management of the Company.

Senior Executive Performance

All direct reports of the Executive Director are evaluated by the Executive Director and the performance evaluation of the Executive Director is facilitated by the Chairman, with ultimate oversight by the Board. The evaluation of the Executive Director involves an assessment of a range of factors including the overall performance of the Company and the achievement of specific pre-determined goals.

No performance evaluation was undertaken during the year to June 2016. The review will be completed by December 2016 and each subsequent December.

Principle 2: Structure the Board to add value

The Board operates in accordance with its charter which is available from the Corporate Governance section of the Company website at www.bassoil.com.au. The charter details the Board's composition and responsibilities.

Board Size

The Company's Constitution includes provisions for the number of Directors and the appointment and retirement of directors.

The Company's Constitution specifically provides that the Company is to have not less than three and the maximum number of directors is to be fixed by the directors, but may not be more than ten directors, unless the Company in general meeting resolves otherwise.

A copy of the Company's Constitution is made publicly available in the corporate governance section of the Company's website at www.bassoil.com.au.

Board Composition

The Company's Board Charter provides that the Board should comprise Directors with an appropriate range of skills, experience and expertise who have a proper understanding of and competence to deal with the current and emerging issues of the business, and who can effectively review and challenge the performance of management and exercise independent judgment.

The current members of the Board and their skills, experience, expertise, qualifications, term of office, relationships affecting independence, their independent status and membership of committees are set out in the Directors' Report under the heading "Information on directors".

Given the Company's size and limited activities, the Board has not established a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership..

At the date of this report, the Board consists of 4 Directors (the majority of which are not Independent Directors), and comprises:

- 1 independent non-executive director;
- 2 non-independent non-executive directors; and
- 1 executive director.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Board comprises the following directors (as at 1 September 2016):

Name	Position	First Appointed
Mr P F Mullins	Chairman, non-executive Director and independent	16 December 2014
Mr G Guglielmo	Executive Director	16 December 2014
Mr H M Gordon	Non-executive Director and non-independent	27 October 2014
Mr M L Lindh	Non-executive Director and non-independent	16 December 2014

Independence of Directors

All directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

The independence of each of the Non-Executive Directors is reviewed, at least annually.

In assessing the independence of Directors, the Board has regard to the provisions of the ASX Corporate Governance Council, *'Corporate Governance Principles and Recommendations'* (3rd ed).

The Company defines an independent Director as a non-executive director (i.e. not a member of management) who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of his or her unfettered and independent judgment and ability to act in the best interests of the Company.

In assessing each Director's independence the Board will consider the effect of a Director's business and other relationships and interests from the perspective of both the Company and the Director.

The Board may determine that a Director is independent notwithstanding the existence of a relationship of the kind referred to above.

Board members

It is considered that all Non-Executive Directors are independent except Mr H M Gordon and Mr M L Lindh for the reasons set out below:

Mr Gordon, a non-executive director, is an executive director of Cooper Energy Ltd, who is a substantial shareholder in the Company. Accordingly, he is not considered to be an independent Director.

Mr Lindh, a non-executive director, is an executive director of Adelaide Equity Ltd which is an advisor to the Company and a substantial shareholder in the Company. Accordingly, he is not considered to be an independent Director.

The Board considers that the proportion of non-independent Directors is appropriate given the Company's stage of development.

Appointment & re-election of Board members

The Company's Board Charter provides that in selecting new members for the Board, Directors shall have regard to the appropriate skills and characteristics needed by the Board as a whole and that Directors shall endeavour to appoint individuals who would provide the mix of characteristics and diverse experiences, perspectives and skills appropriate for the Company.

Term of office

The Company's constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election.

Role of the Chairman

The roles of the Chairman and Executive Director are separate and the Chairman is a non-executive Director.

The role of the Chairman includes being responsible for managing the Board effectively, providing leadership to the Board and being the interface with the Executive Director.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Chairman has the authority to act and speak for the Board and liaise with the Company's stakeholders between meetings, subject to any agreed consultation processes.

Role of the Executive Director

The Executive Director has responsibility for the day-to-day management of the Company, providing leadership and managing and overseeing the interfaces between the Company and the public and to act as the principal representative for the Company.

The Executive Director must report annually to the Board on succession planning and management development.

Induction

Informal induction provided to new directors and senior managers enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the Board and senior executives and the Company's meeting arrangements.

Given the Company's size, limited activities and limited financial resources, the Board has not established formal induction procedures.

Board Meetings

Meeting and proceedings of the Board are governed by the relevant provisions of the Company's Constitution.

The Company's Board Charter also provides:

- The Directors shall hold at least six meetings in each calendar year.
- The agenda for meetings is drawn up with input from the Chairman, the Executive Director and senior executives. Directors are free to nominate matters for inclusion on the agenda for each meeting.
- Material for Board meetings is circulated to the directors in advance.
- All members of the Board are expected to attend each meeting, in person.
- The Board may invite such persons as it wishes to attend its meetings.
- The Board may conduct meetings by telephone or internet conferencing.
- Circular resolutions which have been approved must be noted at the Board meeting immediately following their approval.

The number of Board and Board Committee meetings held during the year and attendance by Directors is included in the Directors Report in the Annual Report.

Director conduct

When exercising their powers and responsibilities as Directors, and when acting as a representative of the Company, Directors are expected to comply with all relevant laws and regulations and abide by the Company's Code of Conduct.

A copy of the Company's 'Code of Conduct' is made publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

Conflict and declaration of interests

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interests.

The Corporations Act 2001 and the Company's Constitution requires Directors to disclose any conflicts of interest and, in certain circumstances, to abstain from participating in any discussion or voting on matters in which they have a material personal interest.

It is expected that Directors will be sensitive to actual and perceived conflicts of interest that may arise and it is something to which they are expected to give ongoing consideration.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Entities connected with the directors that had business dealings with the Company during the year, are described in Note 24 to the financial statements. In accordance with the Board Charter, the directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Company pertaining to those dealings.

Independent professional advice

The Board and individual directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance of the Board, its Committees and individual Directors

The Company's Board Charter provides that the 'The Board will conduct a review of its performance relative to this charter annually, and the Chairman will review the performance of each Director annually. The process for evaluation of performance of the Board, Board Committees and individual Directors involves:

Board and Board Committees

The evaluation of the Board performance involves a self assessment by the Board at the end of the year. Because of the size of the Board and the Company all Members of the Board are Members of the Board Committees and this self assessment process incorporates the performance of Board Committees.

Directors

Assessment of individual Directors' performance is a process determined by the Chairman and involves the Chairman having an annual interview with each of the Directors.

The Chairman has held individual interviews with each Director over the period.

Board Committees

The Board has established the following Board Committee to assist it in the discharge of its responsibilities:

- Audit Committee.

The Audit Committee operates under a formal charter that is made publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au. An outline of the responsibilities of the Audit Committee is also contained within this Statement.

Nomination committee

Given the Company's size, limited activities and limited financial resources, the Board has not established a Nomination Committee.

Issues relating to developing criteria for Board membership, identifying specific individuals for nomination and establishing processes for the review of the performance of individual directors and the Board as a whole is undertaken by the Board.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors, officers and employees of the Company.

The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that at all times all Company personnel maintain high standards of honesty and responsibility and enhance the Company's reputation for fair and responsible dealing.

The Code is documented and made publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Restrictions on dealing in securities

The Company has a Share Trading Policy which outlines the restrictions, closed periods and processes required when directors and key management personnel trade Company securities.

The Share Trading Policy is documented and made publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

Approach to Diversity

The Company has established a Diversity Policy which is publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

The policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

While the Board is committed to the objectives of the Diversity Policy it has determined that because of the size of the company and the small number of Directors and employees, it is not appropriate to set measurable objectives for gender diversity, at this stage of the Company's development.

The proportion of women employees in the Company, women in senior executive positions and women on the Board are:

Management Levels	Percentage held by Women
Company	0%
Senior Executives	50%
Board	0%

Principle 4: Safeguard integrity in financial reporting

The Audit Committee consists of the following non-executive directors:

Mr Gordon (Non-Independent) - Chairman

Mr Mullins (Independent)

Mr Lindh (Non-Independent)

Mr H Gordon is Chair of the Audit Committee. Although he is a non-independent Director, he has considerable management & business experience and is the most appropriate person on the Board for this role. The Board considers that given the size of the Company and the relevant experience of Board Members, it is not necessary for the Audit Committee to be chaired by an independent Chairman.

Details of these directors' qualifications, the number of meetings of the Audit Committee held and Director's attendance at these meetings are detailed in the Directors' report on page 8.

The Audit Committee operates in accordance with a charter which is publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

Membership

The members of the Committee shall be members of, and appointed by, the Board of directors and shall comprise at least two directors that have diverse, complementary backgrounds, and are independent of management and the Company.

In addition, the Committee chair shall have leadership experience and a strong finance, accounting and/or business background.

All Committee members shall be financially literate, or become financially literate within a reasonable period of time after appointment. At least one member shall have accounting and/or related financial management expertise as determined by the Board of directors.

The responsibilities of the Committee include:

- Understanding the business;
- Financial Reporting - review and approve the half-year and annual financial report;
- Assessment of accounting, financial and internal controls;
- Appointment of external auditor;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- Review and assess the independence of the external auditor;
- Discuss with the auditors, the overall scope of the audit;
- Monitor corporate governance functions; and
- Review and discuss communications with the market and shareholders.

In fulfilling its responsibilities, the Audit Committee will:

- Maintain free and open communication between the committee, auditors, and management of the Company.
- Investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company.
- Ensure it understands the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment'
- Take appropriate actions to set the overall corporate 'tone' for quality financial reporting, sound business risk practices, and ethical behaviour.
- Meet separately and periodically with management and the auditor to discuss issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement; and
- Receive regular reports from the auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence.

The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

Deloitte Touche Tohmatsu was appointed as the external auditor in 2015. It is Deloitte's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is disclosed in Note 7 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Written Affirmations

The Board has received from the Executive Director and the Chief Financial Officer written affirmations concerning the Company's financial statements as set out in the Directors' Declaration on page 16.

Principle 5 – Make Timely and Balanced Disclosure

The Board has established procedures designed to ensure compliance with the ASX Listing Rule requirements such that:

- All investors have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way.

The Company Secretary and the Executive Director are responsible for communications with the ASX. The Chairman or a member of the Audit Committee authorises all disclosures necessary to ensure compliance with ASX Listing Rules.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 6 - Respect the Rights of Shareholders

The Board has established a process for communicating with shareholders by:

- Using the Company's website to promote and to facilitate shareholder communications;
- Encouraging shareholder participation in meetings including using Corporate Governance Council guidelines for meetings and notices, and placing all shareholder related information and Company ASX announcements promptly onto the website in an accessible manner; and
- Encouraging shareholders to attend the annual general meeting, and providing adequate time, to question the Directors about the Company's governance and business, and the auditor about the conduct of the audit and the content of the audit report.

The Company's website www.bassoil.com.au currently carries the following information for Shareholders:

- All market announcements and related information which is posted immediately after release to the ASX;
- Details relating to the Company's Directors and Senior Management; and
- Board and Board Committee charters and other corporate governance documents.

Principle 7: Recognise and manage risk

The Board is responsible for overseeing the effectiveness of risk management so as to:

- Identify, assess, monitor and manage risk; and
- Inform investors of the nature of and material changes to the Company's risk profile.

Given the Company's size and stage of development, the Board has not established a Risk committee. The Board of Directors does not consider it appropriate to have separate risk management and control systems designed by management reporting to the Board of Directors.

The inherent nature of petroleum exploration is high-risk with no certainty of success. However, the Company takes all prudent analytical and planning steps to control risk. Apart from the geological risk, material business risks include those of a financial, operational, environmental technological nature. Existing policies and procedures for risk oversight are considered by the Board to be adequate at this stage of the Company's development.

At each major milestone of exploration projects, specific risk oversight and management policies will be developed consistent with activities at that time.

The Board has received assurances from the Executive Director, Company Secretary and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control that, in all material respects, mitigates financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

Given the Company's size, limited activities and limited financial resources, the Board has not established a Remuneration committee. Issues relating to remuneration, recruitment, retention and termination policies and procedures applicable to senior executives and directors and also the selection and appointment practices of the Company are undertaken by the Board.

Remuneration arrangements

Board and Non-executive Director

The remuneration policy for the Board and the remuneration of each director is set out in both the Remuneration Report which forms part of the Directors' report and in Note 21 in the Financial Report.

Senior Executives

Information on the performance evaluation and structure of remuneration for the Company's senior executives can be found in the Remuneration Report, which forms part of the Directors' report.