



BASS STRAIT OIL COMPANY LTD

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QUARTERLY REPORT MARCH 2014

Bass Strait Oil Company Ltd (**ASX: BAS**) ("**BAS or the Company**") presents a summary of its activities for the quarter ended 31 March 2014.

Highlights:

- **Cooper Energy increases shareholding in the Company**
- **CEO and Board undertake strategic review with a focus on expenditure reduction and wider corporate activities including selected portfolio divestment.**
- **BAS has formally withdrawn from exploration permits Vic/P42 & Vic/P66.**

CORPORATE ACTIVITIES

During the quarter the Company actioned a strategic review of its business led by the CEO and the Board. As this review progressed, Cooper Energy Limited ("**Cooper**") elected to increase its shareholding in BAS from 19.9% to 22.9% and major shareholder Oil Basins Limited elected to cease to be a shareholder in the Company.

Across Vic/P41 (BAS - 64.565%) and Vic/P68 (BAS - 100%), the Company holds a large trend focused acreage position containing significant conventional oil and gas prospects. With increasing eastern Australian gas prices, growing customer demand for new sources of gas supply and significant value being placed on recent transactions in the Gippsland Basin, the Company believes that these assets are not being valued appropriately by the market.

An outcome from the strategic review included seeking to extricate appropriate value for the Company's Gippsland Basin permits through a divestment process.

Recent transactions (Figure 1) in and around the Gippsland Basin have included permits within close proximity to those held by BAS and include:

- Cooper Energy (ASX:COE), the largest shareholder in BAS with a 22.9% equity interest, acquiring a 65% interest in the Basker Manta Gummy (BMG) production licenses; and
- Nexus Energy (ASX:NXS) entering into a merger implementation agreement and bridge facility with Seven Group Holdings (ASX:SVW).

Subsequent to the end of the quarter the Company has engaged GMP Securities Australia Pty Ltd to assist with the divestment process and the execution of its forward strategy.

The Company intends to use any proceeds from the potential divestment of its Gippsland Basin acreage to continue to invest in new opportunities in the oil and gas sector and will remain focused on oil and gas exploration and development activities moving forward.

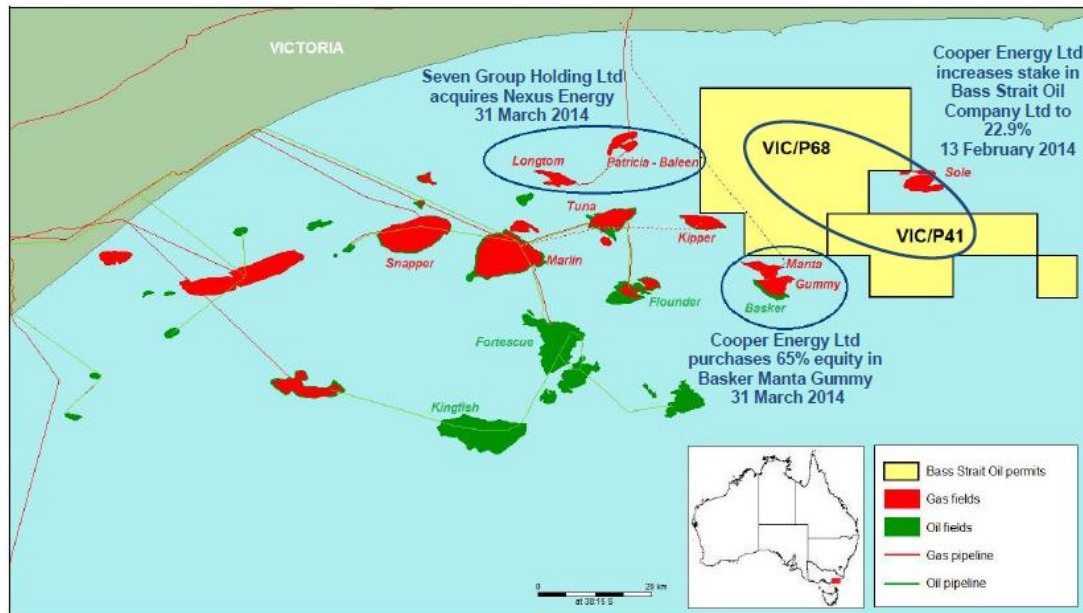


Figure 1. BAS permit location map, Gippsland Basin

Expenditure reduction remains a key focus of the Company in parallel with the delivery of key corporate objectives arising from the strategic review including the divestment of the Company's Gippsland Basin acreage.

Mr Noske will continue in the CEO role working closely with the Board to ensure the outcomes from the strategic review deliver value to the Company's shareholders.

EXPLORATION ACTIVITIES

OTWAY BASIN ONSHORE

PEP 167: BAS 100% and Operator

Exploration permit PEP 167 is located in the onshore Otway Basin, near Port Fairy in western Victoria. The permit comprises some 408 km².

The permit was renewed effective from 2 March 2013.

During the Dec13 quarter the Victorian government announced a review of onshore gas production and placed a hold on approvals for necessary onshore exploration activities.

Over the recent quarter the Company has reviewed the forward exploration plans for its onshore Otway Basin permits. The results of this review, once finalised will be released to the ASX.

PEP 175: BAS 100% and Operator

Exploration permit PEP 175 is located in the onshore Otway Basin. The permit comprises 1,419 km² and is adjacent to permits PEP 150 and PEP 167.

The permit was granted effective from 18 April 2013.

During the Dec13 quarter the Victorian government announced a review of onshore gas production and placed a hold on approvals for necessary onshore exploration activities.

Over the recent quarter the Company has reviewed the forward exploration plans for its onshore Otway Basin permits. The results of this review, once finalised will be released to the ASX.

PEP 150 (application area): BAS 15% (Operator: Beach Energy)

Exploration permit PEP 150 is located in the onshore Otway Basin, near Portland, Victoria, and contains the 1989 Lindon and 1995 Digby oil discoveries.

The permit was granted for an initial 5 year term effective from 26 August 2013. The permit is considered to be prospective for both oil and gas in the Sawpit and Casterton Formations, in both conventional and unconventional plays. Initial activity is expected to consist of acquisition of 3D and 2D seismic data.

During the quarter the Operator sort clarification of the Victorian Governments position regarding onshore gas exploration and production. The Joint Venture is currently reviewing forward plans in this permit.

The Company remains buoyed by the recent drilling results announced by PEP 495 Joint Venture drilling the Jolly-1 onshore exploration well reinforcing the impression of the potential of the Casterton Formation, the well also identified gas-bearing sandstone intervals in the Lower Sawpit Shale. The significance of this outcome for PEP 150 is under review by the Operator and BAS.

GIPPSLAND BASIN OFFSHORE

Vic/P68: BAS 100% and Operator

Exploration permit Vic/P68 lies to the east of Vic/P47 in the offshore Gippsland Basin with water depths increasing from 50 to 150 metres towards the southeast. This block contains two primary play trends; the Rosedale Fault Trend and the Lake Wellington Fault Trend.

During the quarter geological and geophysical studies continued.

Vic/P41: BAS 64.565% and Operator

Exploration permit Vic/P41 (539 km²) is located to the east of Vic/P68 in the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast. The permit provides BAS with exposure to the easterly extension of proven producing trends.

During the quarter reprocessing and merging of multiple 3D datasets and selected QI/AVO analyses, including 430 km² within the permit were continued.

Vic/P42: BAS 100% and Operator

Exploration permit Vic/P42 comprises approximately 930 km², and is located adjacent to Kingfish, Australia's largest oil field, as well as Bream and other producing Esso/BHP oil and gas fields.

In September 2013, BAS announced the execution of a Collaboration Agreement with HIREX Petroleum Sdn Bhd ("HIREX") to reassess prospectivity of Vic/P42 with new technology, with the intention to identify significant hydrocarbon accumulations. During the review, no significant drillable prospects were identified, and resulted in HIREX not proceeding to farm in to Vic/P42. BAS agreed to cancel Vic/P42, with the process formally approved by the National Offshore Petroleum Titles Administrator ("NOPTA") during the quarter.

Vic/P66: BAS 60% and Operator

Exploration permit Vic/P66 (2,160 km²) is located to the southeast of Vic/P41 in the east of the offshore Gippsland Basin approximately 60 kilometres south of the Victorian coast. The permit covers a possible easterly extension of the Rosedale fault trend into a deepwater area of the basin.

In 2Q 2013, the Vic/P66 Joint Venture partners applied to surrender the permit as any future exploration was deemed unlikely to create value due to the deep-water leads having significantly increased exploration costs and high geological risk. Cancellation was formally approved by NOPTA on 18 March 2014.

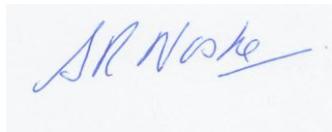
NEW OPPORTUNITIES

Following on from work actioned previously, BAS has continued to actively screen for new exploration, appraisal and production opportunities internationally in parallel to the strategic review activities noted earlier in this report.

The Company has formed the view that the current tightness in the equity markets requires immediate focus on delivering the key objectives from the strategic review before new growth opportunities can be considered.

The delivery of value back to the shareholders from the Company's existing portfolio is viewed as paramount to allow the Company to consider new growth opportunities going forward.

For and on behalf of the Company

A handwritten signature in blue ink that reads "SR Noske". The signature is written in a cursive style with a horizontal line underneath the name.

Steve Noske
Chief Executive Officer
30 April 2014

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

BASS STRAIT OIL COMPANY LTD

ABN

13 008 694 817

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	13	35
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(400)	(1,153)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	9	50
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other		
Net Operating Cash Flows	(378)	(1,068)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) exploration & evaluation (b) equity investments (c) other fixed assets	(30)	(255)
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		
Net investing cash flows	(30)	(255)
1.13 Total operating and investing cash flows (carried forward)	(408)	(1,323)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(408)	(1,323)
	Cash flows related to financing activities		
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	Other (Share Issue Costs)		
	Net financing cash flows		
	Net increase (decrease) in cash held	(408)	(1,323)
1.20	Cash at beginning of quarter/year to date	1,382	2,297
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	974	974

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	49
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

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	0	0

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	
4.3 Production	
4.4 Administration	240
Total	340

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	224	92
5.2 Deposits at call	750	1,290
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	974	1,382

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/P66 Vic/P42		60% 100%	- -
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.

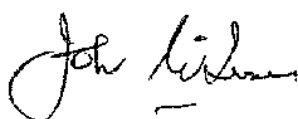
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	518,285,747	518,285,747		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	10,000,000	-	<i>Exercise price</i> 4	<i>Expiry Date</i> 14/10/2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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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: 30 April 2014
(Director)

Print name: John L C McInnes

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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+ See chapter 19 for defined terms.