

## **BASS STRAIT OIL COMPANY LIMITED**

### **CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING** **HELD ON 16<sup>TH</sup> DECEMBER 2014**

Ladies and gentlemen,

Before commencing with the formal part of the meeting when you will be asked to consider a number of resolutions which will significantly impact on the company, I think it is important that I give you some background to these resolutions and bring you up to date regarding the company generally.

Your company, like other small listed oil and gas explorers with no production has seen a fall in the market price of its shares during the last year as shown in the following table which provides evidence of the current lack of interest of Australian equity investors in small non-producing oil and gas explorers.

ASX code	Company name	Description	Share Price Performance		
			30/11/13	1/12/14	%age change
BAS	Bass Strait Oil	SE Aust explorer, no production	\$ 0.008	\$ 0.007	-13%
IPB	IPB Petroleum	Aust explorer, no production	0.290	0.026	-91%
OBL	Oil Basins	Aust explorer, no production	0.015	0.005	-67%
RAW	Rawson Resources	Onshore SA explorer	0.040	0.025	-38%
TDO	3D Oil	SE Aust explorer, no production	0.080	0.064	-20%

In recent months we have seen a sustained drop in oil price with oil prices now back to five year lows at below US\$70 per barrel and this is clearly a contributing factor to weakness in energy sector stocks generally. Whilst the reasons behind the fall in oil price are linked to overall weak global demand coupled with increased production from US shale and OPEC producers, I do not see this necessarily affecting the business plans of Bass Strait Oil Company which are primarily based on increased gas demand to meet anticipated supply shortfalls in South East Australia. It is worth noting there are predictions that the domestic demand for gas will possibly triple by 2017.

We have seen the commencement of corporate manoeuvring around potential South East Australian gas opportunities with our largest shareholder, Cooper Energy Ltd, earlier this year, taking 65% equity in the Basker Manta Gummy production licences which are in close proximity to our two permits Vic/P41 and Vic/P68. Also the Seven Group Holdings Ltd appears to be in the final stages of its acquisition of Nexus Energy with its Longtom development in the Gippsland Basin.

This increase in demand will see new sources of gas being required between 2015 and 2020 to meet this need. Your company's key assets which comprise the two permits in the Gippsland Basin are well positioned to factor into the supply side of South East Australian gas. When the current investigatory work on Vic/P41 and Vic/P68 is completed, the prospectivity of these permits will become clearer. A key to our ongoing work on these permits has been obtaining from the authorities a six month extension to the year three work programme for Vic/P41 and to the overall permit term.

However, for BASS to capitalise on this opportunity it will be necessary to be able to fund the work required to continue the exploration activities and meet requisite work obligations in relation to these Gippsland Basin permits and also our interest in the onshore permit in the Otway Basin.

While the work commitments on the Otway permit are not an issue in the short term due to the Victorian Government's "Fracking moratorium", there are significant work obligations in respect of the Gippsland permits which need to be met.

The funding of the work requirements can be achieved by "farming out", raising the necessary funds through equity issues or a combination of both. The company will continue working to secure the right partnership to help progress exploration in our permits and is in the process of developing plans to raise more capital.

For BASS at its current stage of development, it is vital to have a keystone shareholder who has both the commitment and resources to support the company. Cooper Energy Ltd ("Cooper") which through its wholly owned subsidiary Somerton Energy Pty Ltd currently controls 22.9% of the issued ordinary capital of BASS has the capacity to provide that keystone support.

Several months ago the current Board had discussions with Cooper who advised that they believed the BASS Board needed to be restructured if the company was to be in a position where it could best capitalise on its existing portfolio and seek new growth opportunities. As a result of those discussions Mr Hector Gordon who has an association with Cooper was appointed as a Non-independent Director and comes up for reappointment at this meeting. Additionally, Cooper nominated both Messrs Peter Mullins and Giustino (Tino) Guglielmo for appointment to the Board as Independent Directors. Subsequently, Mr Mark L Lindh was also nominated by interests associated with Adelaide Equity Partners Ltd for appointment to the Board as a Non-Independent Director. The current Board comprising myself, Mr Andrew Whittle and Mr David Lindh agreed that, if these proposed new appointments occurred then we would resign from the Board.

While it was evident that these proposed appointments had the support of major shareholder groups, the current Board decided that all shareholders should have the opportunity to make a decision on what, if successful, will result in the appointment of a new Board.

Shareholders will have noted that each of Messrs. Gordon, Mullins, Guglielmo and M Lindh have all given firm commitments to participate in a share placement conditional only on their appointment to the Board. These commitments in total involve the issue of 85 million new shares at \$0.005 cents per share and new capital totalling \$425,000. As indicated in the meeting Notice, if you wish to vote in favour of the resolutions approving the placement of shares to each of these nominees for appointment to the Board, you should also vote in favour of their appointment.

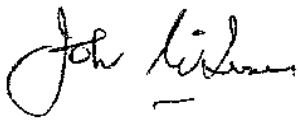
When announcing the proposed placement, the Company also advised that, subsequent to this meeting, it is intended to conduct a non-renounceable rights issue at the same price as the proposed placement

This has been a difficult year for all small Australian oil and gas exploration companies with no production and BASS is no exception.

As you will have read in the Annual Report, during the last year your Board needed to reduce the underlying infrastructure costs of the company while still continuing to ensure that all the corporate statutory obligations were met, permits and joint venture responsibilities were satisfied and all of the other tasks that are necessary to manage a listed company properly attended to. The extent of these activities is evident from the Chairman's Message and Chief Executive Officer's Report which form a part of the 2014 Annual Report.

Before finishing I want to thank my fellow directors for their work and support during the last year and to express my appreciation of the efforts of the Chief Executive Officer, Steve Noske and Company Secretary, Robyn Hamilton for what they have achieved during what has been a difficult period for Bass Strait Oil Company Ltd.

Thank you for your attention and we will now proceed to the formalities.

A handwritten signature in black ink, appearing to read 'John L C McInnes', with a stylized flourish at the end.

John L C McInnes  
Chairman

16<sup>th</sup> December 2014