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ASX RELEASE

NEW PLAY POTENTIAL IN GIPPSLAND BASIN

Successful production tests at Longtom-3 have demonstrated for the first time that sandstone reservoirs in the Emperor Subgroup can flow gas at commercial rates.

Over the last week, Longtom-3 operator Nexus Energy Limited has announced a number of strong test results, including estimated flow rates of over 75 million cubic feet of gas per day. Bass Strait Oil Company Ltd ("BAS") congratulates Nexus on its achievements and on its pioneering use of horizontal drilling and completion in these reservoirs.

It has long been known that the Emperor Subgroup contains hydrocarbons in the Gippsland Basin. However, recognition of the commercial potential of these resources has been limited due to the low permeability of the sandstones and the lack of a successful flow test.

The Longtom-3 result demonstrates that the use of modern 3D seismic can identify gas bearing reservoirs in the Emperor Subgroup and that, with the application of advanced drilling techniques, these reservoirs can produce gas at high flow rates.

Overall, the potential for commercially viable Emperor Subgroup gas developments has been significantly increased - an outcome which has wide-ranging, positive implications for BAS.

There are a number of existing Emperor Subgroup discoveries in the Basin which now warrant re-assessment, including two within BAS permits:

- In Vic/P47, the 1989 Judith-1 gas discovery is on-trend with Longtom and shares many of its characteristics. The Judith feature is covered by the same 3D seismic survey as Longtom and exhibits similar seismic amplitude responses to gas filled reservoirs (see Figures 1 and 2). Conceptual appraisal / development projects for Judith will now be investigated.
- In Vic/P42 the 1983 Omeo-1 gas and condensate discovery will be addressed by 3D seismic for the first time in December 2006 (see Figure 3). The new data will complete 3D coverage along this trend and will allow updated mapping of the Omeo discovery, as well as addressing several other leads and play types. BAS is fully funded through this survey via a farmin by Apache Energy.

In terms of exploration potential, BAS has interests in three Gippsland permits, covering both the northern and southern margins of the basin, where the Emperor Subgroup is present at attractive depths (see Figure 3). The Company intends to utilise its large Gippsland Basin 3D seismic database to re-evaluate these areas in light of the Longtom-3 Emperor Subgroup result. This potential would be additional to identified leads and prospects in the more 'conventional' Gippsland Basin reservoirs within the Intra-Latrobe Group and Golden Beach Subgroup.

A handwritten signature in black ink, appearing to read "Andrew Adams", is positioned above the typed name and title.

Andrew Adams
Managing Director
21 September 2006

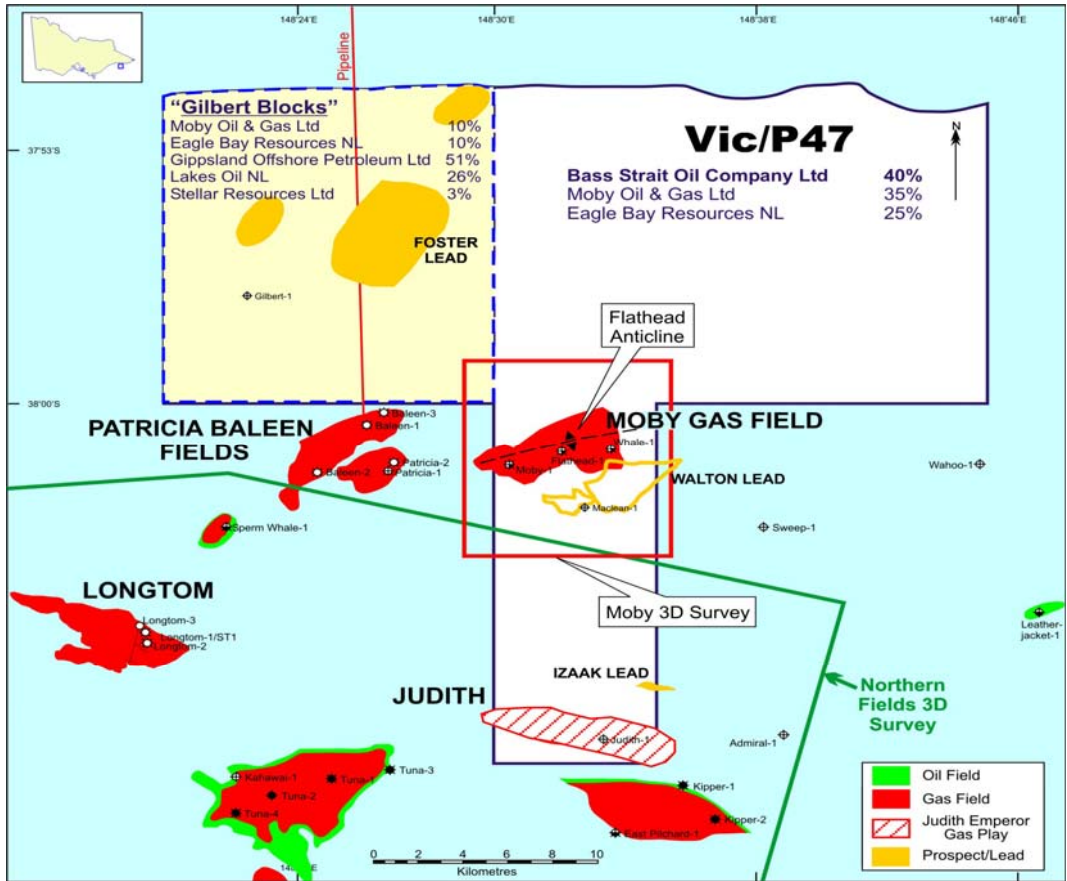


Figure 1 Judith and Longtom location

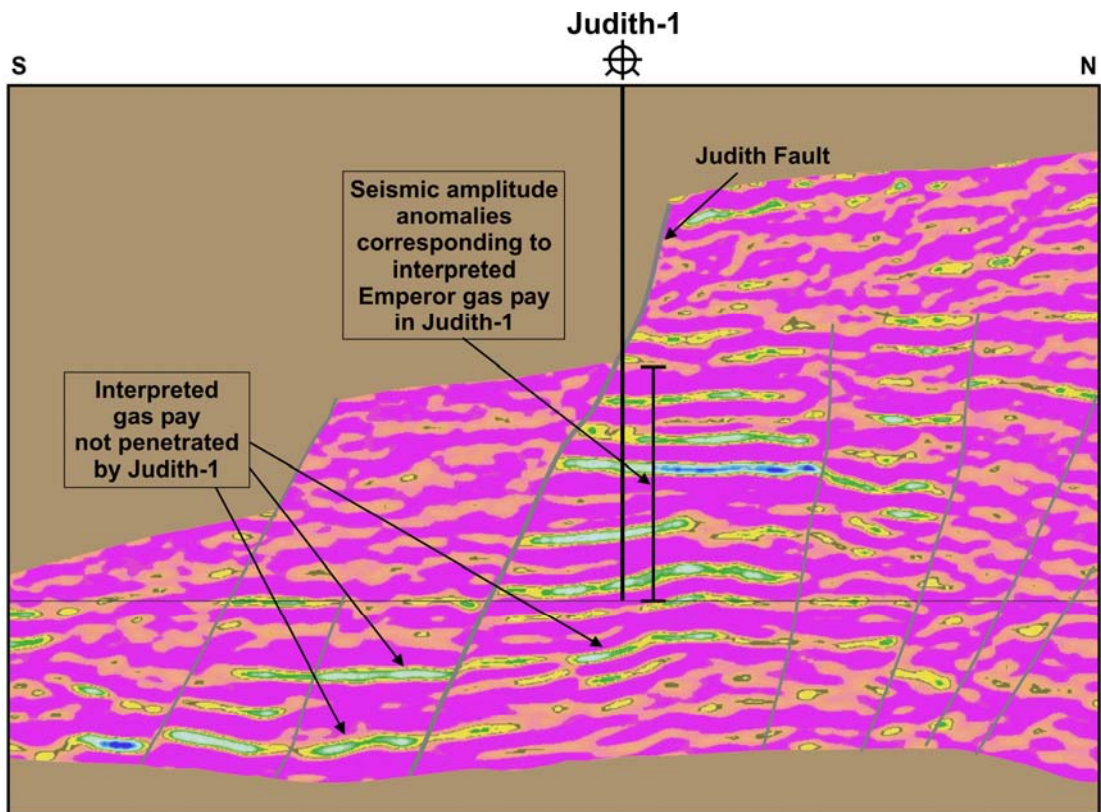


Figure 2: Seismic section showing Judith-1 amplitude anomalies

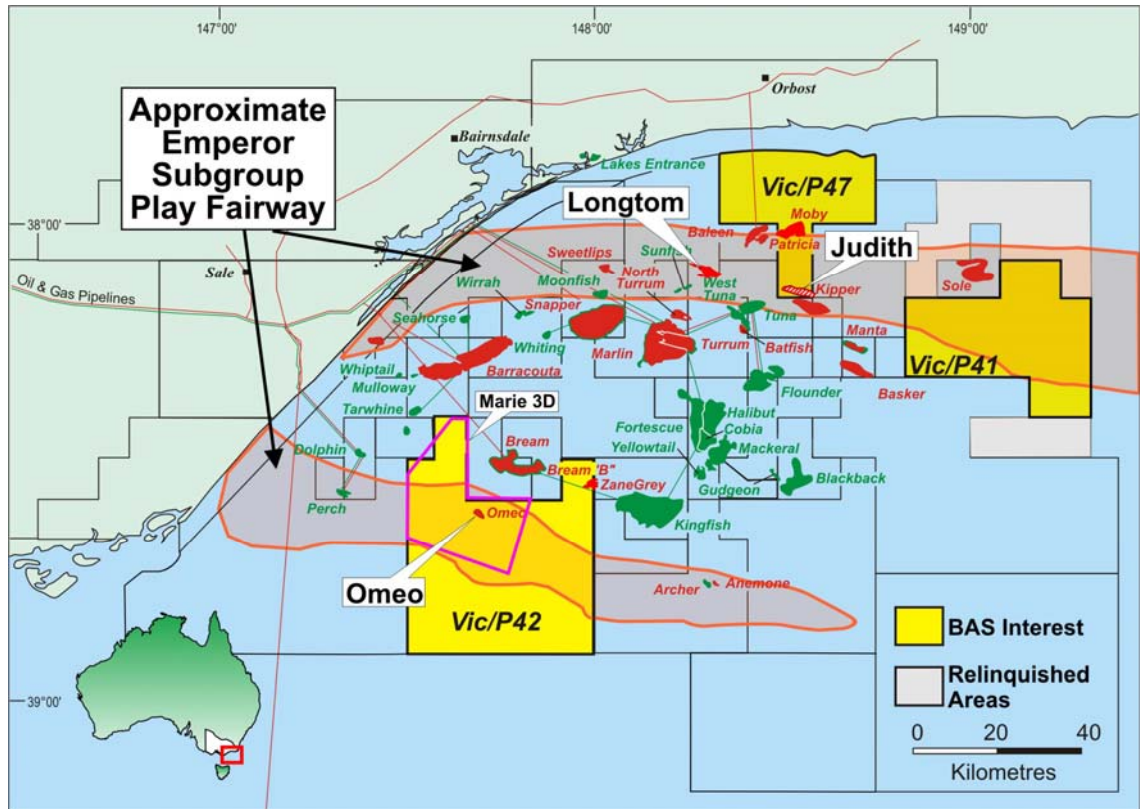


Figure 3: BAS Gippsland acreage and Emperor Subgroup play fairway