

QUARTERLY REPORT JUNE 2006

Bass Strait Oil Company Ltd ("BAS" or "Company") presents a summary of its activities for the quarter ended 30 June 2006.

EXPLORATION ACTIVITIES

GIPPSLAND BASIN

Vic/P42, BAS 50% and Operator, reducing to 20% after farmout

During the quarter, BAS and co-venturers Inpex Alpha Ltd ("Inpex") agreed a farmout of Vic/P42 to Apache Northwest Pty Ltd ("Apache"). Apache will fund the recording and processing of approximately 500 sq km of 3D seismic, plus the drilling of one exploration well, in order to earn a 60% interest and operatorship in the permit.

BAS now estimates the value of the work to be undertaken by Apache to be on the order of \$35 million.

Apache anticipates 3D seismic recording in Vic/P42 late in the fourth quarter of 2006 and drilling is conditionally planned as part of a programme to start approximately late 2007.

BAS and Inpex will each retain a 20% interest, fully funded through the seismic acquisition and processing and the drilling of a well. If, after funding and completing its 3D seismic commitment, Apache does not commit to drilling a well, the 60% interest will be re-transferred back to BAS and Inpex. The farmout agreement with Apache is conditional on securing a permit variation and the necessary regulatory approvals from the Designated Authority, and on the completion of the seismic survey within an appropriate timeframe.

The farmout programme is in line with BAS's philosophy of selecting offshore drilling targets based on modern 3D seismic data. The farmout seismic will be the first 3D survey in the western and northwestern areas of the Vic/P42 permit and will be designed to complete continuous coverage between BAS's 2002 3D survey in the east of the permit and Apache's 2005 3D survey in permit Vic/P58 adjacent to the west.

A number of leads have been identified on older 2D seismic in the new 3D survey area, including leads analogous to the nearby Dolphin and Perch producing oil fields. The new 3D survey will also cover the 1983 Omeo gas and condensate discovery.

Vic/P41, BAS 45% and Operator

In 2005 the Vic/P41 joint venture recorded the first 3D seismic survey in this permit in the eastern Gippsland Basin. Interpretation of the 3D data continued through the quarter and has detailed a number of high-potential prospects, including analogues of the Kipper and Basker fields. An 'Amplitude vs Offset' seismic analysis project was commenced during the quarter.

The Vic/P41 permit was presented to the industry as a farmin opportunity at the PESA Farmin Seminar and APPEA conference in May. BAS is now seeking parties to earn an interest in Vic/P41 by funding drilling based on the 3D seismic dataset and several companies are reviewing technical data.

BAS anticipates that any prospects matured could be ready for drilling in 2006, however the tight market for offshore drilling rigs is expected to push any Vic/P41 drilling activity in to 2007 or later.

BAS has submitted a proposal to the Designated Authority for the required 50% permit area relinquishment and for the work programme for a new five year term. The five year period will commence upon formal grant of the new permit term. BAS is confident that all areas of prospective interest will be retained, including the Oscar 3D survey area.

Vic/P47, BAS 40% and Operator

A technical review of the Judith-1 gas discovery well in the south of Vic/P47, including re-mapping of the structure using modern 3D seismic data, was substantially completed during the quarter.

The Company will monitor the results of the Longtom-3 appraisal / development well which has commenced drilling in the adjacent Vic/P54 permit.

A commercial success at Longtom could enhance the value of the Vic/P47 Judith-1 discovery (drilled by Shell in 1989), a feature which shares many characteristics with Longtom.

OTWAY BASIN

During the quarter, BAS participated in the drilling of the Pritchard-1 well in permit PEP 151 on the northeastern flank of the Portland Trough in the onshore Otway Basin, approximately 50 km northwest of Portland, Victoria.

Analysis of wireline logs indicated that all zones in Pritchard-1 were water bearing and the well was plugged and abandoned. The operator, Essential Petroleum Resources Limited, reports that good quality reservoirs were intersected at several levels in the well and that Pritchard-1 has made a significant contribution to understanding the hydrocarbon potential of the Late Cretaceous age Discovery Bay High and the Tertiary age Portland Trough.

By contributing to the Pritchard-1 well, BAS earned the right to take up a 25% interest in the PEP 151 permit. During July 2006 BAS exercised this right and BAS will be assigned a 25% interest in PEP 151.

BAS's contribution to Pritchard-1 also earned it the right to farmin to a 15% interest in the adjacent PEP 150 permit application (yet to be awarded subject to negotiation of Native Title), which contains the Lindon oil discovery. BAS also exercised this right during July 2006 and a farmin agreement will be executed whereby BAS can earn a 15% interest in PEP 150 by contributing to the drilling of a well on promoted terms.

BASS BASIN

T/42P and T/43P, BAS 100% and Operator

Permits T/42P and T/43P comprise a total of some 6,120 sq km covering the Durroon Sub-basin off the north coast of Tasmania. The Company views these under-explored areas as a 'grass roots' exploration opportunity, where early-phase geological and geophysical work has the potential to add significant value to the permit. During the quarter BAS continued with database acquisition in preparation for a planned re-interpretation of all available data.

CORPORATE MATTERS

On 19 July 2006, the Company's CEO, Andrew Adams, was appointed as Managing Director. Andrew holds a Bachelor's degree in geophysics as well as an MBA and has been working in the upstream petroleum industry since starting as a geophysicist in 1979 in his native Canada. His experience spans both technical and commercial aspects of the business with large and small enterprises, including Amoco Canada, Santos and Cue Energy Resources.

A handwritten signature in black ink, appearing to read 'Andrew Adams', with a stylized, cursive script.

Andrew Adams
Managing Director
Melbourne, Australia
27 July 2006

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

BASS STRAIT OIL COMPANY LTD

ABN

13 008 694 817

Quarter ended ("current quarter")

30 JUNE 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (...12...months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	333	3,530
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(391)	(4,826)
1.3 Dividends received	(128)	(780)
1.4 Interest and other items of a similar nature received	52	146
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(134)	(1,930)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c)other fixed assets	(8)	(42)
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 (provide details if material)		
Net investing cash flows	(8)	(42)
1.13 Total operating and investing cash flows (carried forward)	(142)	(1,972)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(142)	(1,972)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,000
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)	-	(114)
	Net financing cash flows	-	1,886
	Net increase (decrease) in cash held	(142)	(86)
1.20	Cash at beginning of quarter/year to date	2,812	2,756
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,670	2,670

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	65
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.

Amount available \$A'000	Amount used \$A'000

+ See chapter 19 for defined terms.

3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	400
4.2	Development	-
Total		400

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	393	567
5.2 Deposits at call	2,277	2,245
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,670	2,812

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			
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	129,242,468	112,316,043		
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>	9,592,056 3,200,000 1,050,000 1,050,000	6,479,000 - - -	<i>Exercise price</i> 30 25 25 30	<i>Expiry date</i> 30/6/2007 30/9/2008 30/6/2010 30/6/2010
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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:



(Company secretary)

Date: 27 July 2006

Print name: David Hill

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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