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## QUARTERLY REPORT DECEMBER 2006

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Bass Strait Oil Company Ltd ("BAS" or "Company") presents a summary of its activities for the quarter ended 31 December 2006.

### EXPLORATION ACTIVITIES

#### GIPPSLAND BASIN

##### Vic/P41, BAS 45% and Operator

The Vic/P41 permit has been renewed for a new five year term commencing on 20 September 2006.

Further attribute processing has been applied to the Oscar 3D seismic survey and a 'coherency cube' has been produced. This new data is being used to refine fault interpretations which are a key element in defining prospects and leads in the permit.

The Basker Manta joint venture announced during December that oil production had commenced at the Basker Manta project adjacent to Vic/P41. BAS's seismic interpretation shows the Vic/P41 Oscar prospects as analogous to and on trend with this new development.

BAS is seeking farmin parties to earn an interest in Vic/P41 by funding the drilling of its 3D seismic defined prospects. Timing of any potential drilling is dependent on the availability of a semi-submersible drilling rig. Worldwide demand for these rigs remains extremely high and first availability in the Gippsland Basin is not likely before early 2008.

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

The Vic/P42 permit has been granted a six month suspension and extension to the current Year 5 to allow for acquisition of the 'Marie' 3D seismic survey. Recording of this 503 sq km survey is due to commence late February.

BAS will be fully funded through the Marie survey in the first phase of a farmin by Apache Northwest Pty Ltd ("Apache"). Apache has budgeted up to \$20 million for the survey. The second phase of the farmin requires Apache to fully fund the drilling of an exploration well in order to complete its obligations and thereby earn a 60% interest and operatorship in the permit. BAS and Inpex would each retain a 20% interest.

Data acquisition for the Marie survey will be carried out by Western Geco using the vessel Western Trident, which is fitted with state-of-the-art solid streamer recording technology. Recording operations are expected to take between 2 and 3 weeks depending on weather conditions.

The Marie survey will be the first 3D seismic data recorded in the western and northwestern areas of the Vic/P42 permit and will complete continuous coverage between existing 3D surveys. The survey will address a number of features identified on older 2D seismic, including leads analogous to the nearby Dolphin and Perch producing oil fields, as well as the 1983 Omeo gas and condensate discovery.

##### Vic/P47, BAS 40% and Operator

During the quarter, BAS commenced a multi-disciplinary technical review of the Judith gas discovery. The objective of this study is to investigate potential appraisal and development options for Judith, with reference to Nexus Energy's successful production test of the Longtom-3 well to the west. The

Judith study will integrate basic well data from the 2004 Longtom-2 appraisal well which has recently become open file.

Judith-1 was drilled by Shell in 1989 and discovered gas reservoirs which share many characteristics with the Longtom field. Most significantly, the Judith and Longtom features both contain gas in the sandstones of the Emperor Subgroup. The tests at Longtom-3 in adjacent permit Vic/P54 have demonstrated for the first time that sandstone reservoirs in the Emperor Subgroup can flow gas at commercial rates. In Vic/P47, the Judith feature is covered by the same 3D seismic survey which was integral to the successful appraisal and testing at Longtom.

A positive result for the Judith study would see the potential of drilling an appraisal well to further delineate this prospective resource.

### **OTWAY BASIN**

#### PEP 151, BAS 25%

During the quarter, Essential Petroleum Resources, the PEP 151 permit operator, continued with a prospectivity review of the permit. The joint venture will review this work at a meeting scheduled for February.

#### PEP 150 (application area), BAS to earn 15% via farmin

BAS can earn a 15% interest in PEP 150 by contributing to the drilling of a well. This area contains the Lindon oil discovery, but the permit is yet to be awarded subject to negotiation of Native Title.

### **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.

During the quarter BAS continued with preliminary geological and geophysical studies and database acquisition.

Acquisition of reprocessed seismic data and the scanning of older existing seismic data is near complete. Work continued on the re-interpretation and mapping of all available data as a basis for planning future seismic acquisition.

#### TL/1 BassGas Project, Yolla Field (BAS 0.0648% Over-Riding Royalty)

The BassGas project is now on production and BAS has written to the TL/1 participants to initiate procedures for payment of the royalty.

*This exploration report is based on information compiled by BAS's Technical Advisor, Mr Ian Reid. Mr Reid is engaged by BAS, is a qualified person as defined under the ASX Listing Rule 5.11 and has consented in writing to the inclusion of the above estimates in this report, in the form and context in which they appear.*



Andrew Adams  
Managing Director  
30 January 2007

# 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
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ABN

13 008 694 817
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Quarter ended ("current quarter")

31 DECEMBER 2006
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (...6...months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	116	329
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(98)	(187)
1.3 Dividends received	(298)	(631)
1.4 Interest and other items of a similar nature received	35	70
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(245)</b>	<b>(419)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c)other fixed assets		
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)		
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(245)</b>	<b>(419)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(245)	(419)
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(245)	(419)
1.20	Cash at beginning of quarter/year to date	2,496	2,670
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	2,251	2,251

**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	125
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	250
4.2	Development	-
<b>Total</b>		250

**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	58	187
5.2 Deposits at call	2,193	2,309
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	2,251	2,496

**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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	129,242,468	129,242,468		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	9,592,056 500,000 3,200,000 600,000 1,050,000 1,050,000	9,092,056 - - - - -	<i>Exercise price</i> 30 15 25 15 25 30	<i>Expiry date</i> 30/6/2007 30/6/2008 30/9/2008 30/11/2009 30/6/2010 30/6/2010
7.8 Issued during quarter	600,000	-	15	30/11/2009
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )		
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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:  
(Managing Director)

Date: 30 January 2007

Print name: Andrew R. Adams

## 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.