

## **QUARTERLY REPORT MARCH 2006**

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

### **EXPLORATION ACTIVITIES**

#### GIPPSLAND BASIN

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

BAS's exploration focus in this permit is along the Rosedale fault trend where existing leads are believed to be analogous to the Kipper oil and gas field. Kipper is due to be developed with first production planned for 2009. Similarly, the Vic/P41 Oscar leads are analogous to the Basker / Manta oil and gas fields where the Basker-2 well recently commenced oil production.

The Joint Venture has approved a project of quantitative geophysical analysis to augment the structural interpretation of the 575 km<sup>2</sup> Oscar 3D seismic survey. Identification of seismic anomalies on the 3D data will be used to reduce prospect risk and enhance prospect evaluation. While BAS anticipates that any prospects matured could be ready for drilling in 2006, the very tight market for offshore drilling rigs will likely push any Vic/P41 drilling activity in to 2007.

BAS is seeking to farmout its interest in Vic/P41 prior to drilling.

The Vic/P41 permit entered a new five year term on 13 February 2006. BAS has submitted a proposal to the Designated Authority for the required 50% permit area relinquishment and for the work programme for the new term. BAS is confident that all areas of prospective interest will be retained, including the Oscar 3D survey area.

##### Vic/P42, BAS 50% and Operator

An external prospectivity review of the permit was completed during the quarter, confirming the potential for oil accumulations in the under-explored northwest area of the permit. These plays include leads analogous to the nearby Dolphin and Perch producing oil fields.

The Vic/P42 permit also contains the Omeo-1 gas/condensate discovery drilled by Aquitaine in 1982.

Farmout negotiations continued during the quarter.

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

BAS believes that this permit's location on the northern margin of the Gippsland Basin indicates good remaining prospectivity.

Technical work during the quarter was focused on a review of the Judith-1 discovery well in the south of the permit. The Company will monitor the results of the forthcoming Longtom-3 well which is to be drilled in the adjacent Vic/P54.

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.

The operator, Essential Petroleum Resources Limited, commenced drilling at Pritchard-1 on 27 March 2006. Good quality reservoirs were intersected at several levels in the well, including at the primary objectives. These units were encountered 'up-dip' from fluorescence shows in the adjacent Henke-1 well, drilled in 1987. However, analysis of wireline logs indicated that all zones were water bearing and the well was plugged and abandoned on 15 April 2006.

The operator is now conducting a review of Pritchard-1 results and is preparing a proposal for further exploration of the PEP 151 permit.

By contributing to the Pritchard-1 well, BAS has earned the right to take up a 25% interest in the PEP 151 permit. In addition, BAS has the right to earn a 15% interest in the adjacent PEP 150 permit application, which contains the Lindon-2 oil discovery.

## BASS BASIN

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

On 8 March 2006, BAS announced that it had been awarded two new offshore Bass Basin exploration permits. 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. Only two wells have been drilled in the Durroon Sub-basin, neither of which penetrated the older section where BAS is initially targeting new play concepts. The Company views these under-explored areas as a 'grass roots' exploration opportunity, where its early-phase geological and geophysical work has the potential to add significant value to the permit.

While there is relatively little geological data relating to these large permits, one attractive play concept the Company will evaluate is that of turbidite sand deposits within the lacustrine (ie lake-deposited) shales of the Durroon Formation. Turbidites are submarine sediment flows that can deposit sandy reservoir units and can lead to a prospective combination of a sandy reservoir unit encased in sealing shale.

The Durroon Sub-basin turbidite play is still conceptual at this stage, but is supported by high amplitude events and mounded structures evident on the relatively sparse existing seismic data. BAS believes there is strong potential for further development of this and other play concepts in T/42P and T/43P. BAS will pursue a technically-driven programme of data analysis and data acquisition with the initial aim of adding value to these permits by maturing this potential into drillable targets.

The new T/42P and T/43P permits complement the Company's existing Bass Basin asset, which is a 0.0648% over-riding royalty on production from the Yolla Field in the TL/1 production licence. Yolla Field operator, Origin Energy, reported on 4 April 2006 that production ramp-up and plant testing will continue through May and June 2006.



Andrew Adams  
Chief Executive Officer  
Melbourne, Australia  
27 April 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")

|               |
|---------------|
| 31 MARCH 2006 |
|---------------|

### Consolidated statement of cash flows

|   | Current quarter<br>\$A'000 | Year to date<br>(...9... months)<br>\$A'000 |
|---|----------------------------|---|
| <b>Cash flows related to operating activities</b>               |                            |   |
| 1.1 Receipts from product sales and related debtors             | 914                        | 3,197                                       |
| 1.2 Payments for (a) exploration and evaluation                 | (1,506)                    | (4,435)                                     |
| (b) development   |                            |   |
| (c) production  |                            |   |
| (d) administration  | (149)                      | (652)                                       |
| 1.3 Dividends received  |                            |   |
| 1.4 Interest and other items of a similar nature received       | 25                         | 94  |
| 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>(716)</b>               | <b>(1,796)</b>                              |
| <b>Cash flows related to investing activities</b>               |                            |   |
| 1.8 Payment for purchases of: (a)prospects                      |                            |   |
| (b)equity investments   |                            |   |
| (c)other fixed assets   | -                          | (34)  |
| 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>(34)</b>                                 |
| 1.13 Total operating and investing cash flows (carried forward) | <b>(716)</b>               | <b>(1,830)</b>                              |

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

|      |  |       |         |
|------|--|-------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (716) | (1,830) |
|      | <b>Cash flows related to financing activities</b>          |       |         |
| 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)                                  | (2)   | (114)   |
|      | <b>Net financing cash flows</b>                            | (2)   | 1,886   |
|      | <b>Net increase (decrease) in cash held</b>                | (718) | 56      |
| 1.20 | Cash at beginning of quarter/year to date                  | 3,530 | 2,756   |
| 1.21 | Exchange rate adjustments to item 1.20                     |       |         |
| 1.22 | <b>Cash at end of quarter</b>                              | 2,812 | 2,812   |

**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<br>\$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<br>\$A'000 | Amount used<br>\$A'000 |
|-----------------------------|------------------------|
|                             |                        |

|     |                             |  |  |
|-----|-----------------------------|--|--|
| 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                | -       |
| <b>Total</b> |                            | 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank  | 567                        | 1,315                       |
| 5.2 Deposits at call  | 2,245                      | 2,215                       |
| 5.3 Bank overdraft  |                            |                             |
| 5.4 Other (provide details)   |                            |                             |
| <b>Total: cash at end of quarter</b> (item 1.22)  | 2,812                      | 3,530                       |

**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 | T 42P   | New exploration permit granted                     | -                                | 100%                       |
|     | T 43P   | New exploration permit granted                     | -                                | 100%                       |
|     | PEP 151   | Option to take up 25% interest.                    | -                                | -                          |
|     | PEP 150   | Option to earn 15% interest in permit application. | -                                | -                          |

**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><br><i>(description)</i>   |  |                          |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |  |                          |   |  |
| 7.3 <b>+Ordinary securities</b>  | 129,242,468                                      | 112,316,043              |   |  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              |  |                          |   |  |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>  |  |                          |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |  |                          |   |  |
| 7.7 <b>Options</b><br><i>(description and conversion factor)</i>   | 9,592,056<br>3,200,000<br>1,050,000<br>1,050,000 | 6,479,000<br>-<br>-<br>- | <i>Exercise price</i><br>30<br>25<br>25<br>30 | <i>Expiry date</i><br>30/6/2007<br>30/9/2008<br>30/6/2010<br>30/6/2010 |
| 7.8 Issued during quarter  |  |                          |   |  |
| 7.9 Exercised during quarter   |  |                          |   |  |
| 7.10 Expired during quarter  |  |                          |   |  |
| 7.11 <b>Debentures</b><br><i>(totals only)</i>   |  |                          |   |  |
| 7.12 <b>Unsecured notes</b> <i>(totals only)</i>   |  |                          |   |  |

## 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 April 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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