

BASS STRAIT OIL COMPANY LTD
ABN 13 008 694 817

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2006

CORPORATE DIRECTORY

Directors

Bernard Wheelahan (Chairman)
Andrew R Adams (Managing Director)
E Geoffrey Albers
Henry J Askin
Robert J Flew (Resigned 22 December 2006)

Company Secretary

David B Hill
Level 25, 500 Collins Street
Melbourne, Victoria 3000 Australia

**Registered Office
and Principal Administration Office**

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Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000 Australia

Share Registry

Link Market Services Limited
Level 4, 333 Collins Street
Melbourne, Victoria 3000 Australia
Telephone +61 (3) 9615 9800
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Stock Exchange Listing

Australian Stock Exchange Ltd
525 Collins Street
Melbourne, Victoria 3000 Australia

**ASX Codes: BAS – Ordinary Shares
BASO – 30 June 2007 Options**

Web Site: www.bassoil.com.au

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CURRENCY

The group's functional and presentation currency is Australian Dollars.

FORWARD LOOKING STATEMENTS

This Half-year Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

HALF-YEAR REPORT TO 31 DECEMBER 2006

DIRECTORS' REPORT

The Directors of Bass Strait Oil Company Limited and its subsidiary ("BAS" or "Company") submit their report for the half-year ended 31 December 2006.

The names of the Company's directors in office during the half-year and until the date of this report are as follows:

Bernard Wheelahan BSc. Dip Ed. FRACI, F AusIMM, FAICD, FAIE – Chairman

Andrew R Adams B.Sc. MBA GAICD - Managing Director (Appointed 19 July 2006)

E Geoffrey Albers LL.B FAICD

Henry J Askin B.SC (Hons) Ph.D

Robert J Flew B Ec (Hons) FAIMM, FAIM (Resigned 22 December 2006)

REVIEW AND RESULTS OF OPERATIONS

Consolidated net loss for the half-year, after income tax, was \$402,448.

EXPLORATION ACTIVITIES

The Company holds petroleum exploration interests in the Gippsland, Otway and Bass Basins of southeastern Australia. The BAS permit portfolio comprises almost 15,000 sq km (net interest approximately 8,100 sq km) across five offshore and two onshore permits, together with a royalty interest in production from the BassGas project.

The offshore exploration industry is planning a new round of drilling in these prospective basins, with estimates of up to 20 offshore wells to be drilled by at least two rigs, commencing late 2007 or early 2008.

Subject to Apache Energy completing its farmin obligations in Vic/P42, BAS will be fully funded through the drilling of a well planned for early 2008 (see Vic/P42 details below).

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 and, after relinquishment, is now comprised of 16 graticular blocks. The work programme commitments for the Vic/P41 renewal term are as follows:

<u>Year</u>	<u>Programme</u>	<u>Indicative Cost</u>
1	Finalise 3D interpretation	\$350,000
2	Geological and geophysical studies	\$350,000
3	250km 2D seismic plus commercial and engineering studies	\$1,000,000
4	One well	\$15,000,000
5	Interpretation and assessment of results	\$250,000

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 in early March 2007.

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

A multi-disciplinary technical review of the Judith gas discovery is underway. 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 has incorporated 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%

Essential Petroleum Resources, the PEP 151 permit operator, is conducting a prospectivity review of the permit.

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

Following preliminary geological and geophysical studies and database acquisition during the half, a seismic interpretation project incorporating all existing data in these areas is now underway. The results of this project will form the 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.

AUDITOR INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor, Ernst & Young, a copy of which is attached to this report.

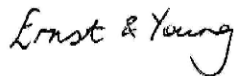
Signed in accordance with a resolution of the directors.



Andrew Adams
Managing Director
Melbourne, 2 March 2007

Auditor's Independence Declaration to the Directors of Bass Strait Oil Company Limited

In relation to our review of the interim financial report of Bass Strait Oil Company Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



R C Piltz
Partner
Melbourne
2 March 2007

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bass Strait Oil Company Ltd, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Andrew Adams
Managing Director

Melbourne, 2 March 2007

**CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	NOTE	31/12/2006 \$	CONSOLIDATED 31/12/2005 \$
Revenue	3	277,462	1,375,599
Other Income			
Gain on disposal of property plant and equipment	3	-	350
Expenses	3	(679,910)	(1,839,785)
		<hr/>	<hr/>
Profit (loss) before income tax		(402,448)	(463,836)
Income tax expense		-	-
		<hr/>	<hr/>
Profit (loss) for the period		(402,448)	(463,836)
		<hr/>	<hr/>
Basic (loss) per share (cents per share)		(0.31)	(0.37)
Diluted (loss) per share (cents per share)		(0.31)	(0.37)

BALANCE SHEET
AS AT 31 DECEMBER 2006

	NOTE	31/12/2006 \$	CONSOLIDATED 30/6/2006 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,250,953	2,669,871
Trade and other receivables		120,585	233,080
Other		11,456	-
TOTAL CURRENT ASSETS		2,382,994	2,902,951
NON-CURRENT ASSETS			
Plant and equipment		46,947	56,586
Intangible assets		464,907	475,923
Exploration and evaluation costs	6	5,450,053	5,304,233
TOTAL NON-CURRENT ASSETS		5,961,907	5,836,742
TOTAL ASSETS		8,344,901	8,739,693
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		99,582	145,924
Provisions		29,419	11,665
TOTAL CURRENT LIABILITIES		129,001	157,589
NON-CURRENT LIABILITIES			
Provisions		13,077	11,873
TOTAL NON-CURRENT LIABILITIES		13,077	11,873
TOTAL LIABILITIES		142,078	169,462
NET ASSETS		8,202,823	8,570,231
EQUITY			
Contributed equity	8	19,872,732	19,872,732
Reserves		190,726	155,686
Accumulated losses		(11,860,635)	(11,458,187)
TOTAL EQUITY		8,202,823	8,570,231

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	CONSOLIDATED			
	Issued Capital \$	Share based Payment Reserves \$	Accumulated (Losses) \$	Total Equity \$
At 1 July 2006	19,872,732	155,686	(11,458,187)	8,570,231
Loss for the period	-	-	(402,448)	(402,448)
Cost of share based payment during period	-	35,040	-	35,040
At 31 December 2006	<u>19,872,732</u> =====	<u>190,726</u> =====	<u>(11,860,635)</u> =====	<u>8,202,823</u> =====
At 1 July 2005	17,986,770	68,946	(8,876,187)	9,179,529
Loss for the period	-	-	(463,836)	(463,836)
Cost of share based payment during period	-	42,737	-	42,737
Issue of shares	2,000,000	-	-	2,000,000
Costs of issue	(112,078)	-	-	(112,078)
At 31 December 2005	<u>19,874,692</u> =====	<u>111,683</u> =====	<u>(9,340,023)</u> =====	<u>10,646,352</u> =====

**CASH FLOW STATEMENT
 FOR THE HALF-YEAR ENDED
 31 DECEMBER 2006**

	NOTE	31/12/2006 \$	CONSOLIDATED 31/12/2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		360,973	2,282,803
Payments to suppliers and employees		(849,174)	(3,430,313)
Interest received		69,769	67,342
Net cash flows used in operating activities		<u>(418,432)</u>	<u>(1,080,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on plant and equipment		(486)	(34,164)
Net cash flows used in investing activities		<u>(486)</u>	<u>(34,164)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		-	2,000,000
Costs of share issues		-	(112,078)
Net cash flows from financing activities		<u>-</u>	<u>1,887,922</u>
Net increase (decrease) in cash and cash equivalents		(418,918)	773,590
Cash and cash equivalents at beginning of period		2,669,871	2,756,044
Cash and cash equivalents at end of period	5	<u>2,250,953</u>	<u>3,529,634</u>

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

NOTE 1 CORPORATE INFORMATION

The financial report of Bass Strait Oil Company Ltd (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 2 March 2007. Bass Strait Oil Company Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 4.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Bass Strait Oil Company Ltd as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Bass Strait Oil Company Ltd and its controlled entities ('the Group') during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

(c) Basis of consolidation

The half-year condensed financial statements comprise the financial statements of Bass Strait Oil Company Ltd and its controlled entities.

	31/12/2006	CONSOLIDATED
	\$	31/12/2005
		\$
NOTE 3 REVENUE AND EXPENSES		
Loss before income tax includes the following revenue and expenses:		
REVENUE		
Exploration management services	205,448	1,313,151
Bank interest	71,985	62,448
Currency gain	29	-
Total revenue	<u>277,462</u>	<u>1,375,599</u>
OTHER INCOME		
Gain on disposal of property plant and equipment	-	350
EXPENSES		
Audit costs	15,000	10,000
Amortisation of intangible assets	11,015	-
Consultants fees	101,172	127,568
Depreciation on non-current assets	9,937	23,574
Directors remuneration	97,262	82,242
Exploration expenditure written off	10,383	1,252,123
Loss on disposal of assets	188	-
Rent and premises costs	70,078	48,983
Salaries employee benefits and costs	201,508	171,766
Share based payment	35,040	42,737
Stock exchange and registry costs	52,435	44,567
Travel and corporate promotion costs	9,108	1,876
Other expenses from ordinary activities	66,784	34,349
Total Expenses from Ordinary Activities	<u>679,910</u>	<u>1,839,785</u>

NOTE 4 SEGMENT INFORMATION

The economic entity operates predominantly in the petroleum exploration industry within Australia.

	CONSOLIDATED	
	31/12/2006	30/6/2006
	\$	\$

NOTE 5 CASH AND CASH EQUIVALENTS

For the purposes of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank	57,890	393,353
Short-term deposits	2,193,063	2,276,518
	2,250,953	2,669,871
	2,250,953	2,669,871

NOTE 6 EXPLORATION AND EVALUATION ASSETS

Balance at the beginning of the period	5,304,233	6,053,009
Cost for the period	145,820	3,378,800
Supplier refunds and cost recoupment	-	(914,715)
Write off expenditure	-	(3,212,861)
	5,450,053	5,304,233
	5,450,053	5,304,233

NOTE 7 SHARE BASED PAYMENTS

The fair value of the equity-settled share options granted under the option plans is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted. Other factors taken into account in assessing the fair value at grant of the options include an assumption that the options will be exercised and the following material assumptions:

Options granted 17 July 2006

- an expiry date of 30 June 2008;
- a share price of 6.7 cents;
- an exercise price of 15 cents;
- a share price volatility of 85%;
- a risk free rate of 5.92% pa;

The estimated fair value of each option is \$0.013.

Options granted 1 December 2006

- an expiry date of 30 November 2009;
 - a share price of 8.2 cents;
 - an exercise price of 15 cents;
 - a share price volatility of 80%;
 - a risk free rate of 5.905% pa;
- The estimated fair value of each option is \$0.024.

	CONSOLIDATED	
	31/12/2006	30/6/2006
	\$	\$
NOTE 8 CONTRIBUTED EQUITY		
Ordinary shares	19,872,732	19,872,732
	=====	=====
	No.	\$
Movements in ordinary shares on issue		
At 1 July 2005:	119,242,468	17,986,770
Share placement on 4 October 2005	10,000,000	2,000,000
Costs of issue	-	(114,038)
	-----	-----
At 30 June 2006	129,242,468	19,872,732
	-----	-----
At 31 December 2006	129,242,468	19,872,732
	=====	=====

NOTE 9 COMMITMENTS AND CONTINGENCIES

In addition to the commitments disclosed in the June 2006 Financial Report, the Group has entered into the following expenditure commitments during the six months ended 31 December 2006:

Minimum exploration commitments	\$42,500
	=====

There are no material contingent assets or liabilities in respect to the Group.

NOTE 10 RELATED PARTIES

Controlled Entity

The controlled entity BAS Business Services Pty Ltd is 100% owned, incorporated in Australia and its half-year end is 31 December. The controlled entity did not trade during the period and the Company met the cost of the controlled entity's administration.

Other Transactions with Directors and Director-Related Entities

During the half-year the Company received fees as the operator of Vic/P47 of \$113,789 (2005: \$161,753) and Vic/P41 of \$86,693 (2005: \$134,033) in which Moby Oil & Gas Limited ("Moby") is a co-venturer. A Director, E.G. Albers, is both a Director and Chairman of Moby whilst the Company Secretary, D.B. Hill, acts as a Director and Secretary of Moby. The Company derived fees from Exoil Ltd of nil (2005: \$8,438), in which E.G. Albers is a Director, when it managed a 3D seismic survey on its tenement.

During the half-year fees were paid for services to a director-related entity of Director E.G. Albers for project administration, management and other services in the amount of nil (2005 : \$12,000).

All transactions with director-related entities are provided under normal commercial terms and conditions.

To the members of Bass Strait Oil Company Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying 31 December 2006 financial report of Bass Strait Oil Company Limited (the company) and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2006, and the condensed income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Bass Strait Oil Company Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

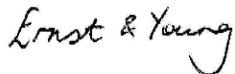
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Bass Strait Oil Company Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



R C Piltz
Partner
Melbourne
2 March 2007