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ASX Release

SHAREHOLDER UPDATE WINDERMERE OIL PROJECT

Windermere 3 oil well starts drilling

- Windermere 3 oil exploration well starts drilling today
- Success may produce Victoria's first commercial onshore oil field
- Final result expected within 3 weeks

Bass Strait Oil Company Ltd (**ASX:BAS**) has started drilling the Windermere 3 oil well near Port Fairy, in Western Victoria, today.

The well, in exploration permit PEP167, is a follow up to an earlier, non-commercial, oil discovery drilled in 1987. The earlier well, Windermere 1, produced a total of 32 barrels of oil, but damage to the oil bearing formation, caused during drilling and completion operations stopped the oil flow. The Windermere 3 well is expected to take two weeks, to be drilled to a proposed total depth of 1,815 metres with a further week of evaluation.

BAS Chief Executive Officer, Steve Mackie, said, *"This is an exciting time for BAS shareholders. A lot of work has gone into the reinterpretation of the Windermere structure. If this well is successful and our interpretation is proved correct, we believe there is a very good chance that other discoveries could be made in the same area."*

Modern seismic data and a new interpretation of the primary target zone suggest the original Windermere 1 discovery well was located in a sub-optimal location due to a misinterpretation of the likely oil bearing structure. In addition formation damage, caused by inappropriate drilling and well engineering techniques hampered the earlier exploration effort. The initial well produced oil from the Heathfield Sandstone Member of the Eumerella Formation but the well failed to flow once completed for production. BAS has undertaken extensive laboratory work to determine the optimal drilling and completion fluids, which are expected to minimise formation damage and enhance the prospects for a successful oil flow.

If the well is successful it will become the first commercial, onshore, oil discovery in Victoria. Any oil produced from the well will be trucked to Victorian refineries in Geelong or Melbourne.

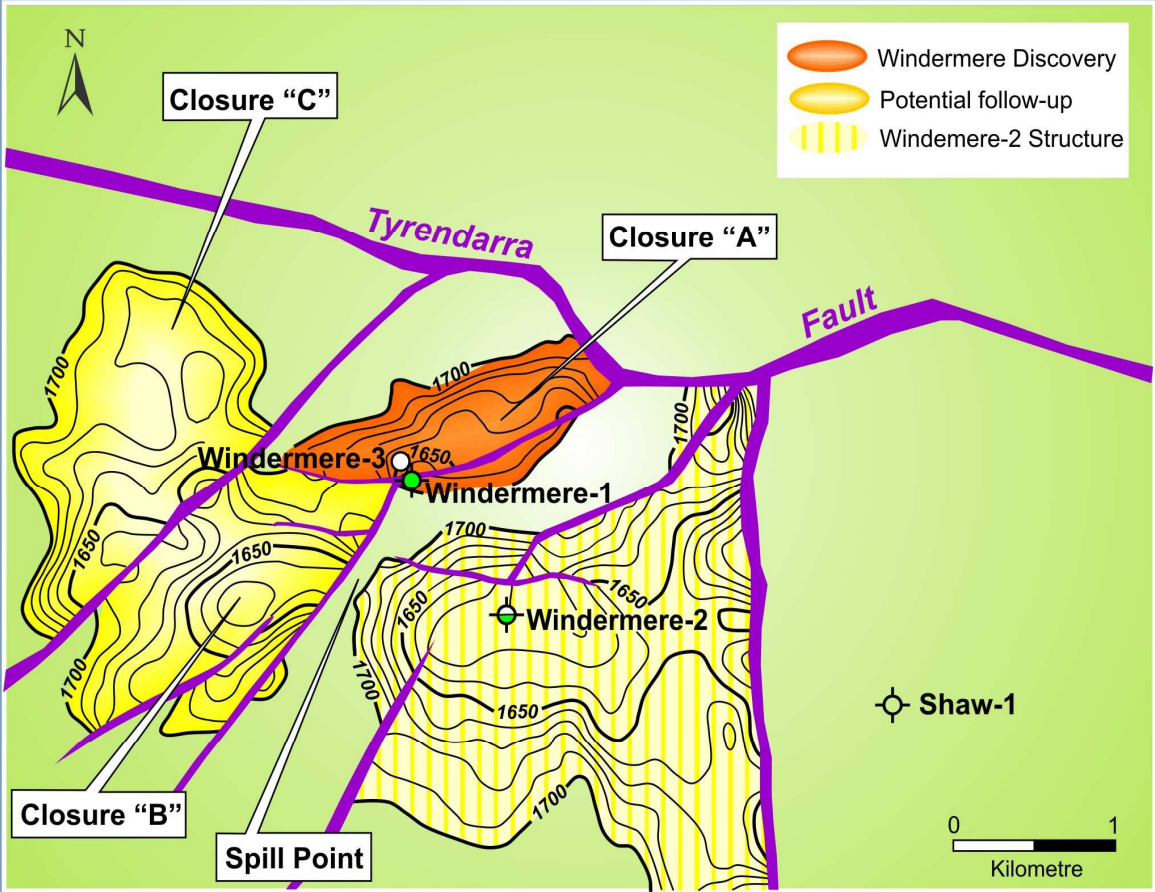
Windermere-3 is being drilled by the PEP 167 Joint Venture in the onshore Otway Basin in western Victoria using Hunt Rig 2.

PEP 167 is jointly held by Bass Strait Oil Company Ltd (50% and operator of the permit) and Interra Resources (Australia) Pte. Ltd. (50%).

For further information contact

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PEP 167 (Onshore Otway) - Windermere 3D
 Top Heathfield Member Depth Structure