



BASS STRAIT OIL COMPANY Ltd
ACN 008 694 817

Level 25
500 Collins Street
Melbourne Victoria 3000 Australia

Tel: (+61 3) 9614 0426
Fax: (+61 3) 9629 6278
Email: admin@bassoil.com.au
Website: www.bassoil.com.au

QUARTERLY REPORT DECEMBER 2005

Bass Strait Oil Company Ltd ("BAS" or "Company") presents a summary of its activities for the quarter ended 31 December 2005.

EXPLORATION ACTIVITIES

1. NEW ACREAGE

The Company has moved to secure additional opportunities by diversifying beyond its existing offshore Gippsland Basin acreage, while at the same time maintaining its southeast Australia regional focus.

Otway Basin Farmin

On 24 November 2005 BAS announced that it had agreed to earn a 25% interest in permit PEP 151 in the onshore Otway Basin. The permit is located northwest of Portland, Victoria and is currently held 100% by Essential Petroleum Resources Ltd.

BAS will farmin by contributing to the Pritchard-1 well which is now scheduled to commence drilling in March 2006. In addition to the 25% interest in PEP 151, the farmin terms grant BAS an option to earn a 15% interest in the adjacent PEP 150 permit application, which contains the Lindon-2 oil discovery.

With these arrangements, BAS will secure a significant interest in what we believe to be an emerging onshore oil play, as well an option to allow an increased exposure to the play in the event of success.

BAS interprets an 'oil fairway' in the Portland Trough area of the Otway Basin at the relatively shallow Pebble Point / Timboon sandstone level. This level contains younger and shallower reservoirs than the targets in many existing Otway Basin wells, which have tended to be gas-prone. A number of prospects and leads have been identified in PEP 150 and PEP 151 at these shallower reservoir targets.

The Pritchard-1 well in PEP 151 is a good test of the concept for two key reasons; it is a predominantly anticlinal closure (as opposed to the more common fault dependent closures in the basin), and it is 'up-dip' from fluorescence shows encountered in the adjacent Henke-1 well, drilled in 1987.

BAS believes that the Portland Trough oil play complements its Gippsland acreage, bringing increased near-term drilling activity and new, relatively low-cost, opportunities.

BAS's contribution to Pritchard-1 will be funded from existing cash reserves.

Applications for New Acreage in the Bass Basin

In October 2005 BAS submitted applications for two new exploration permits in the Bass Basin off the north coast of Tasmania. Subsequent to the end of the quarter, the Joint Authority has offered these areas to the Company. BAS intends to accept the offer of these permits and expects that they will be granted to the Company in due course.

BAS is pursuing new play concepts targeting oil potential in these under-explored areas. The Company views these areas as 'grass roots' exploration where early-phase geological and geophysical work has the potential to add significant value to the permit.

2. EXISTING GIPPSLAND BASIN PERMITS

Bass Strait Oil Company Ltd is the operator of three offshore Gippsland Basin petroleum exploration permits.

Vic/P41, Gippsland Basin (BAS 45% And Operator)

Interpretation of the 575 km² Oscar 3D seismic survey continued during the quarter. With the application of the Oscar 3D seismic data, BAS hopes to mature leads identified on older 2D seismic to drillable prospect status. BAS anticipates that any prospects matured could be ready for drilling in 2006, subject to drilling rig availability.

In parallel with this interpretation project, the Company has initiated farmout discussions with other operators. These discussions are ongoing.

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 Vic/P41 permit enters a new five year term on 13 February 2006. 50% of the permit area will be relinquished, with the remainder subject to a work programme which is being negotiated with the Designated Authority. BAS is confident that all areas of prospective interest will be retained, including the Oscar 3D survey area.

Vic/P42, Gippsland Basin (BAS 50% And Operator)

During the quarter, the Company commissioned a prospectivity review of the permit, to be based on all available data. This review is ongoing and is due to report in early 2006.

Subject to the results of this review, new emphasis will be given to 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. These areas may potentially be addressed with new 3D seismic.

The review will also examine known Vic/P42 prospects, several of which are defined by modern 3D seismic recorded by BAS in 2002; namely Edina Deep, Gurnard Deep and Hemingway.

The Vic/P42 permit will enter Year 5 of a six year term on 13 February 2006. The Year 5 commitment has already been fulfilled as a result of the Vic/P42 3D seismic survey recorded by BAS in 2002.

Vic/P47, Gippsland Basin (BAS 40% And Operator)

BAS operated a two-well, back-to-back drilling programme with the Ocean Patriot rig during October 2005.

Gilbert-1/1A encountered fluorescence and hydrocarbon shows in the Gurnard Formation indicating that hydrocarbons have moved into the Gilbert area. However, it was concluded that Gilbert-1A did

not encounter commercial hydrocarbons. BAS held no participating interest in Gilbert-1/1A, but received a fee for operating the well.

BAS retained its 40% participating interest in the second well, Maclean-1, which targeted a downthrown fault closure with Latrobe Group sandstones as the main reservoir target. The well intersected the reservoir zones as planned but there was no evidence of significant hydrocarbons in the well. Due to the fault-sealed nature of the play, trap sealing had been highlighted as the major risk prior to drilling the Maclean prospect. Given the absence of shows at this location in the prolific Gippsland Basin, BAS believes that a lack of fault sealing, and therefore a lack of an effective hydrocarbon trap, is the most likely explanation for the Maclean-1 result.

While BAS is reviewing the implications of these drilling results, the Company believes that the permit's location on the northern margin of the Gippsland Basin indicates good remaining prospectivity. The Company will also monitor the results of the forthcoming Longtom-3 well which is to be drilled in the adjacent Vic/P54. BAS believes that 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.

TL/1, Bass Basin (BAS 0.0648% Over-Riding Royalty)

The BassGas project is progressing with the commissioning of onshore and offshore facilities. On 20 January 2006 Origin Energy reported that it expects full production to commence from late April 2006.

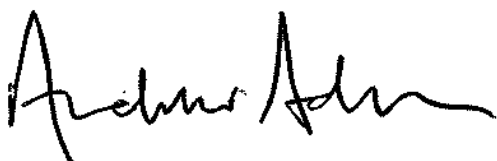
This exploration report is based on information compiled by BAS's Technical Advisor, Mr Ian Reid. Mr Reid is engaged by BAS, is a qualified person as defined under the ASX Listing Rule 5.11 and has consented in writing to the inclusion of the above estimates in this report, in the form and context in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

CAPITAL RAISING

During the quarter, the Company completed a placement of shares and options to raise \$2,000,000. Patersons Securities Limited acted as Lead Manager for the issue. 10,000,000 new BAS shares were placed at 20 cents each, with 5,000,000 free attaching options on a 1 for 2 basis with the new shares. The options are exercisable at 30 cents on or before 30 June 2007.

An Offer Information Statement for the grant of the options was issued on 14 December 2005 and the Company's 30 June 2007 options were quoted on the ASX on 3 January 2006 under the code 'BASO'.

The \$2,000,000 raised by the placement will provide BAS with additional working capital to continue with its 2006 exploration programme and, importantly, with the opportunity to expand its acreage holdings and to secure new opportunities for further near-term drilling activity.



Andrew Adams
Chief Executive Officer
Melbourne, Australia
31 January 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 DECEMBER 2005

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,080	1,681
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(1,358)	(2,327)
1.3 Dividends received	(270)	(503)
1.4 Interest and other items of a similar nature received	48	69
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
Net Operating Cash Flows	(500)	(1,080)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(26)	(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)		
Net investing cash flows	(26)	(34)
1.13 Total operating and investing cash flows (carried forward)	(526)	(1,114)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(526)	(1,114)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,000	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	Share issue costs	(112)	(112)
	Net financing cash flows	1,888	1,888
	Net increase (decrease) in cash held	1,362	774
1.20	Cash at beginning of quarter/year to date	2,168	2,756
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,530	3,530

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	38
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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,250
4.2 Development	
Total	1,250

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	1,315	1,130
5.2 Deposits at call	2,215	1,038
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,530	2,168

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	10,000,000	10,000,000		
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		<i>Exercise price</i> 30 cents 25 cents 25 cents 30 cents	<i>Expiry date</i> 30/6/2007 30/9/2008 30/6/2010 30/6/2010
7.8 Issued during quarter	5,000,000		30 cents	30/6/2007
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:  Date: 31/1/2006
(Secretary)

Print name: D.B. 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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+ See chapter 19 for defined terms.