BASS STRAIT Oil

Oil for Australians

BASS STRAIT OIL COMPANY Ltd
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QUARTERLY REPORT
SEPTEMBER 2006

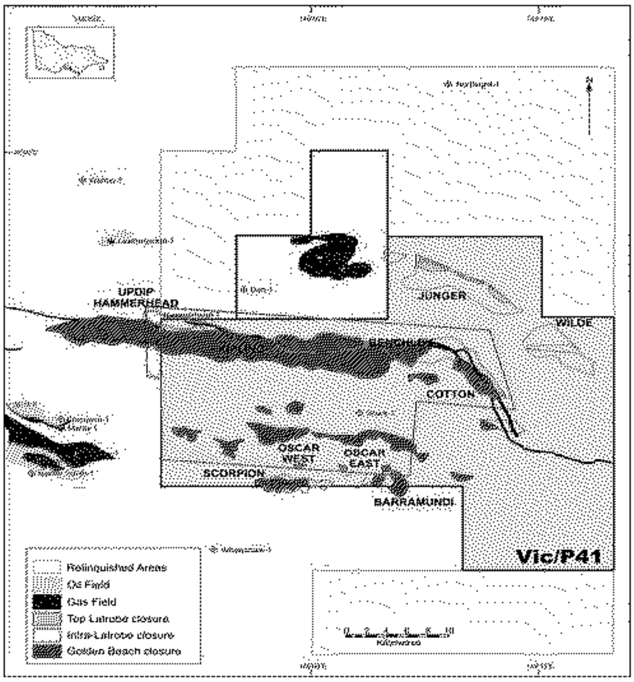
Bass Strait Oil Company Ltd ("BAS" or "Company") presents a summary of its activities for the quarter ended 30 September 2006.

EXPLORATION ACTIVITIES

GIPPSLAND BASIN

Vic/P41, BAS 45% and Operator

A new five year term for Vic/P41 has been granted by the Designated Authority, as requested by the Company. The renewed permit commenced 20 September 2006 and, after relinquishment, is now comprised of 16 graticular blocks, including the 2005 Oscar 3D seismic survey area as shown below.



The work programme commitments for the Vic/P41 renewal term are as follows:

Year	Programme	Indicative Cost
1	Finalise 3D interpretation– quantitative geophysics, AVO etc	$350,000
2	Geological and geophysical studies	$350,000
3	250 km 2D seismic plus commercial and engineering studies	$1,000,000
4	One well	$15,000,000
5	Interpretation and assessment of results	$250,000

Interpretation of the Oscar 3D data has detailed a number of high-potential prospects, including on-trend analogues of the Basker/Manta/Gummy (BMG) and Kipper fields. The operator for BMG project has announced that full field production of 25,000 barrels of oil per day is scheduled to commence in late November 2006. Production plans have also been announced by the operator of the Kipper field.

BAS is now seeking farmin parties to earn an interest in Vic/P41 by funding drilling based on the 3D seismic dataset. The tight market for offshore drilling rigs is expected to push any Vic/P41 drilling activity well in to 2007 or later.

The eastern area of Vic/P41, which exhibits potential leads on the limited existing seismic coverage, is targeted for additional 2D seismic acquisition as part of renewed work commitment.

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

In this permit, Apache Northwest Pty Ltd ("Apache") is farming in by funding the recording and processing of approximately 500 sq km of 3D seismic, plus the drilling of one exploration well. Apache will earn a 60% interest and operatorship in the permit.

BAS will retain a 20% interest, fully funded through the seismic acquisition and processing and the drilling of a well. BAS estimates the value of the work to be undertaken by Apache to be on the order of $35 million.

Apache has contracted WesternGeco to record the 3D seismic survey which is now expected to be recorded in February 2007. The farmout seismic will be the first 3D survey in the western and northwestern areas of the Vic/P42 permit and will be designed to complete continuous coverage between BAS's 2002 3D survey in the east of the permit and Apache's 2005 3D survey in permit Vic/P58 adjacent to the west.

Negotiations for the services of a drilling rig were commenced during the quarter and drilling is conditionally planned as part of a programme scheduled to start approximately mid 2007.

A number of leads have been identified on older 2D seismic in the new 3D survey area, including leads analogous to the nearby Dolphin and Perch producing oil fields.

The 1983 Omeo-1 Emperor Subgroup gas and condensate discovery will also be addressed by 3D seismic for the first time by the forthcoming February 2007 survey. The Longtom-3 result demonstrates that the use of modern 3D seismic can identify gas bearing reservoirs in the Emperor Subgroup and that, with the application of advanced drilling techniques, these reservoirs can produce gas at high flow rates. The new data will complete 3D coverage in the Omeo area and will allow updated mapping of this discovery.

Vic/P47, BAS 40% and Operator

The recent successful production 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.

It has long been known that the Emperor Subgroup contains hydrocarbons in the Gippsland Basin. However, recognition of the commercial potential of these resources has been limited due to the low permeability of the sandstones and the lack of a successful flow test. The Longtom-3 result demonstrates that the use of modern 3D seismic can identify gas bearing reservoirs in the Emperor Subgroup and that, with the application of advanced drilling techniques, these reservoirs can produce gas at high flow rates.

In Vic/P47, the Judith-1 Emperor Subgroup gas discovery well is covered by the same 3D survey as Longtom. Judith-1 was drilled by Shell in 1989 and discovered a gas resource which shares many characteristics with the Longtom field.

During the quarter the Company completed a geological and geophysical review of the Judith feature, including re-mapping of the structure using 3D seismic data.

Given the positive results at Longtom, BAS is now assembling a multi-disciplinary project team to expand the review of the Judith discovery. This review will investigate appraisal drilling options and potential development scenarios for Judith. Discussions regarding potential drilling rig availability have been initiated.

OTWAY BASIN

By contributing to the Pritchard-1 well in April 2006, BAS earned the right to take up a 25% interest in the PEP 151 permit. During the quarter BAS exercised this right and BAS will be assigned a 25% interest in PEP 151.

BAS's contribution to Pritchard-1 also earned it the right to farm in to a 15% interest in the adjacent PEP 150 permit application (yet to be awarded subject to negotiation of Native Title), which contains the Lindon oil discovery. BAS also exercised this right during the quarter. As a result, a farmin agreement will be executed whereby BAS can earn a 15% interest in PEP 150 by contributing to the drilling of a well on promoted terms.

The PEP 151 joint venture has agreed a work programme and budget to review the prospectivity of permit during the current year.

BASS BASIN

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

During the quarter BAS continued with preliminary geological and geophysical studies and database acquisition. A re-interpretation of all available data is now underway as a basis for planning future seismic acquisition.

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. The Company views these under-explored areas as a 'grass roots' exploration opportunity, where early-phase geological and geophysical work has the potential to add significant value to the permit.

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

During the quarter the BassGas project operator, Origin Energy, reported that production of hydrocarbons had commenced. 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
26 October 2006

Rule 5.3

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	Quarter ended ("current quarter")
13 008 694 817	30 SEPTEMBER 2006

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (...3...months) $A'000
1.1	Receipts from product sales and related debtors	213	213
1.2	Payments for (a) exploration and evaluation	(89)	(89)
	(b) development		
	(c) production		
	(d) administration	(333)	(333)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	35	35
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(174)	(174)
	Cash flows related to investing activities		
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)		
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(174)	(174)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(174)	(174)
	Cash flows related to financing activities		
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(174)	(174)
1.20	Cash at beginning of quarter/year to date	2,670	2,670
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	2,496	2,496

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	151
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

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	-
	Total	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	187	393
5.2	Deposits at call	2,309	2,277
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	2,496	2,670

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	VIC P42	Petroleum exploration	50	20
6.2	Interests in mining tenements acquired or increased				

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

+ 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: (Company secretary) Date: 26 October 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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