



BASS STRAIT OIL COMPANY LTD

HALF-YEAR FINANCIAL REPORT

31 December 2013

Corporate directory

Directors

John L C McInnes, OAM (Chairman)
Andrew P Whittle
David J Lindh, OAM
Jayme A McCoy (Resigned 31 August 2013)

Company Secretary

Robyn M Hamilton

Chief Executive Officer

Terry A White (Resigned 30 November 2013)
Steven Noske (Appointed 6 January 2014)

Registered office

and principal place of business

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Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000 Australia

Share register

Link Market Services Limited
Level 9, 333 Collins Street
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Stock exchange listing

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

ASX codes: BAS – Ordinary Shares

Web site: www.bassoil.com.au

Contents

Directors' report	2
Auditor's independence declaration	5
Directors' declaration.....	6
Statement of financial position	7
Condensed statement of comprehensive income..	8
Statement of changes in equity.....	9
Statement of cash flows	10
Notes to the half-year financial statements	11
Independent auditor's review report	17

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.

Directors' report

The directors of Bass Strait Oil Company Ltd (the "Company") and its subsidiary ("BAS" or the "Group") submit their report for the half-year ended 31 December 2013.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

John L C McInnes (Chairman)
Andrew P Whittle
David J Lindh
Jayme A McCoy (Resigned 31 August 2013)

REVIEW AND RESULTS OF OPERATIONS

The main projects undertaken by the company during the half-year were:

- BAS executed farm-in agreements with Cooper Energy Limited with regard to Gippsland Basin exploration permits Vic/P41 and Vic/P68.
- Exploration permit PEP 150 was granted on 26 August 2013 (BAS 15%).
- BAS has formally withdrawn from Exploration permit Vic/P47; and
- Mr Steven Noske was appointed as Chief Executive Officer of the Company effective from 6 January 2014.

The following section provides more detail on these matters.

The consolidated net loss for the half-year, after income tax was \$2,465,231 (2012:\$1,432,571).

EXPLORATION ACTIVITIES

GIPPSLAND BASIN OFFSHORE

Vic/P41: BAS 64.565% and Operator

Permits Vic/P41 (536 km²) is located to the east of Vic/P68 in the offshore Gippsland Basin, approximately 40 kilometres south of the Victorian coast. The permit provides BAS with exposure to the easterly extension of proven producing trends.

The joint venture reviewed the work program for the permit and decided not to proceed with the Stanton 3D seismic survey. It was agreed that a preferred program was to complete 430 sq km of 3D seismic reprocessing, fault seal and QI studies. The government supported this program and approved a work program variation request in July 2013.

Also in July 2013, the Company executed a farm-in agreement with Cooper Energy Limited to participate in Vic/P41. Under the terms of the agreement, Cooper Energy agreed to undertake reprocessing and merging of multiple 3D datasets and selected QI/AVO analyses, including 430 sq km within the permit. Cooper agreed to contribute funding for BAS's share of the work undertaken, with BAS to assign a 25.8% working interest in the permit to Cooper Energy.

The Agreement was taken to shareholders at the Annual General meeting in November 2013 where it was not approved by shareholders due primarily to one former shareholder not approving the transaction.

Consequently, the work requirement is proceeding and BAS is funding its share.

Notwithstanding the above, the joint venture is undertaking reprocessing and merging of multiple 3D datasets and selected QI/AVO analyses, including 430 km² within the permit.

These studies are scheduled to be completed in the 2nd quarter of 2014.

Directors' report continued

Vic/P68: BAS 100% and Operator

Permit Vic/P68 (1,074 km²) lies to the east of Vic/P47, in the offshore Gippsland Basin, and covers parts of the Central Deep, Northern Terrace and Northern Platform, with water depths increasing from 50 to 150 metres towards the southeast. The block contains two play trends, the Rosedale Fault Trend and the Lake Wellington Fault Trend.

In July 2013 the Company executed an agreement with Cooper Energy Limited for them to participate in exploration of the Vic/P68 permit. Under the terms of the agreement, Cooper Energy agreed to undertake, at its sole cost, reprocessing and merging of multiple 3D datasets and selected QI/AVO analyses, including 255 km² within Vic/P68. Subject to completion of the reprocessing and data interpretation, Cooper Energy agreed to have the option to acquire a 50% interest in Vic/P68 at no further cost.

The Agreement was taken to shareholders at the Annual General meeting in November 2013 where it was not approved by shareholders due primarily to one former shareholder not approving the transaction. BAS is continuing to meet its minimum work commitments in relation to this permit.

Vic/P47: BAS 40% and Operator

Permit Vic/P47 is located in the offshore Gippsland Basin, approximately 10 km offshore, south of the Victorian town of Orbost. Water depths range up to 80 metres. The permit comprises three graticular blocks and contains the Judith and Moby gas discoveries.

The permit had a minimum work program requirement to drill one (1) well in permit Year 5 commencing on 16 November 2013. BAS has been unable to attract a farminee to date willing to fund the well. The Company has withdrawn from the permit and relinquished the operatorship of the Joint Venture.

Vic/P42: BAS 100% and Operator

Vic/P42 (933 km²) is located approximately 40 kilometres offshore and contains moderate water depths from 50 to 80 metres. The permit is located adjacent to Kingfish, Australia's largest oil field, as well as to Bream and other producing Esso/BHP oil and gas fields.

During the period a complete review of the prospects and leads was undertaken and no drillable prospects were identified. The permit has a minimum work program requirement to drill one (1) well in permit Year 5 commencing on 18 September 2013. BAS has been unable to attract a farminee to date willing to fund the well or to be granted a suspension and extension of the Year 4 work program. The permit will be cancelled in due course. The associated expenditure associated with this permit (\$1.7m) was written off during the period.

Vic/P66: BAS 60% and Operator

Permit Vic/P66 (2,160 km²) is located to the southeast of Vic/P41 in the east of the offshore Gippsland Basin, approximately 60 kilometres south of the Victorian coast. The permit covers a possible easterly extension of the Rosedale fault trend into a deep water area of the basin.

The Vic/P66 joint venture partners have agreed that exploration in the permit was unlikely to create value as it is in deep-water which significantly increases the exploration costs and as the identified leads have a high geological risk the joint venture partners have sought but not been granted the right to surrender the permit. The permit will be cancelled in due course.

OTWAY BASIN ONSHORE

PEP 167: BAS 100% and Operator

Exploration permit PEP 167 is located in the onshore Otway Basin, near Port Fairy, in western Victoria. BAS holds a 100% interest in the permit, which comprises some 408 km².

The exploration program in the permit term will focus on the Casterton Formation unconventional play and the conventional Waare play that has yielded the major gas fields both onshore and offshore to the east.

During the period regional geological and geophysical studies were continued. The Government's moratorium on fracking until at least July 2015, is delaying progress on the permit.

Directors' report continued

PEP 175: BAS 100% and Operator

Exploration permit PEP 175 is located in the onshore Otway Basin, north of Port Fairy, in western Victoria. The permit comprises 1,419 km² and encompasses 21 graticular blocks adjacent to permits PEP 150 and PEP 167.

During the period regional geological and geophysical studies were continued. The Government's moratorium on fracking until at least July 2015, is delaying progress on the permit.

PEP 150: BAS 15% (Operator: Beach Energy)

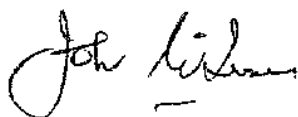
Exploration permit PEP 150 is located in the onshore Otway Basin, near Portland, Victoria, and contains the 1989 Lindon and 1995 Digby oil discoveries.

The permit was granted for an initial 5 year term effective from 26 August 2013. The permit is considered to be prospective for both oil and gas in the Sawpit and Casterton Formations, in both conventional and unconventional plays. Initial activity is expected to consist of acquisition of 3D and 2D seismic data in 2014, followed by drilling in subsequent years.

Auditor's 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.



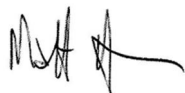
John L C McInnes
Chairman
Melbourne, 4 March 2014

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

In relation to our review of the financial report of Bass Strait Oil Company Ltd for the half-year ended 31 December 2013, 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

Ernst & Young



Matthew A. Honey
Partner
4 March 2014

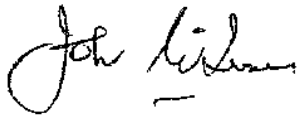
Directors' declaration

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 Group are in accordance with the Corporations Act 2001, including:
 - (i) give a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the Group; 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



John L C McInnes
Chairman
Melbourne, 4 March 2014

Statement of financial position

As at 31 December 2013

	Note	Consolidated 31/12/2013 \$	30/06/2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	1,381,926	2,297,404
Trade and other receivables		15,426	12,449
Other current assets		33,013	41,348
Total current assets		1,430,365	2,351,201
Non-current assets			
Plant and equipment		22,386	29,505
Intangible assets	6	1,000	1,000
Exploration and evaluation expenditure	5	3,720,293	5,217,257
Total non-current assets		3,743,679	5,247,762
TOTAL ASSETS		5,174,044	7,598,963
LIABILITIES			
Current liabilities			
Trade and other payables		146,730	110,122
Provisions		6,276	14,692
Total current liabilities		153,006	124,814
Non-current liabilities			
Other payables		5,539	8,437
Total non-current liabilities		5,539	8,437
TOTAL LIABILITIES		158,545	133,251
NET ASSETS		5,015,499	7,465,712
		=====	=====
EQUITY			
Contributed equity	7	30,928,061	30,913,043
Accumulated losses		(25,989,953)	(23,524,722)
Share-based payment reserve		77,391	77,391
TOTAL EQUITY		5,015,499	7,465,712
		=====	=====

The above statement of financial position should be read in conjunction with the accompanying notes.

Condensed statement of comprehensive income

For the half-year ended 31 December 2013

	Note	Consolidated 31/12/2013 \$	31/12/2012 \$
Total revenue	3	52,895	159,686
Total expenses	3	(2,503,108)	(1,566,857)
(Loss) before income tax		(2,450,213)	(1,407,171)
Income tax (expense)		(15,018)	(25,400)
(Loss) for the period		(2,465,231)	(1,432,571)
(Loss) for the period		(2,465,231)	(1,432,571)
		Cents	Cents
Basic (loss) per share (cents per share)		(0.48)	(0.30)
Diluted (loss) per share (cents per share)		(0.48)	(0.30)

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of changes in equity
 For the half-year ended 31 December 2013

	Contributed Equity \$	Accumulated Losses \$	Consolidated Share based Payments Reserve \$	Total \$
At 1 July 2013	30,913,043	(23,524,722)	77,391	7,465,712
(Loss) for the period	-	(2,465,231)	-	(2,465,231)
Total comprehensive income for the period	-	(2,465,231)	-	(2,465,231)
Transactions with owners in their capacity as owners				
Income tax on items recognised directly in equity	15,018	-	-	15,018
Balance at 31 December 2013	30,928,061	(25,989,953)	77,391	5,015,499
	=====	=====	=====	=====
At 1 July 2012	29,108,708	(19,883,552)	77,391	9,302,547
(Loss) for the period	-	(1,432,571)	-	(1,432,571)
Total comprehensive income for the period	-	(1,432,571)	-	(1,432,571)
Transactions with owners in their capacity as owners				
Shares issued	1,953,692	-	-	1,953,692
Transaction costs on share issues	(200,158)	-	-	(200,158)
Income tax on items recognised directly in equity	25,400	-	-	25,400
Balance at 31 December 2012	30,887,642	(21,316,123)	77,391	9,648,910
	=====	=====	=====	=====

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the half-year ended 31 December 2013

	Note	Consolidated	
		31/12/2013	31/12/2012
		\$	\$
Cash flows from operating activities			
Receipts from customers		22,105	90,111
Payments to suppliers and employees inclusive of GST		(753,906)	(1,081,529)
R&D Tax Incentive		-	514,745
Interest received		41,552	77,052
Net cash used in operating activities		<u>(690,249)</u>	<u>(399,621)</u>
Cash flows from investing activities			
Petroleum exploration expenditure		(225,229)	(213,218)
Net cash used in investing activities		<u>(225,229)</u>	<u>(213,218)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	1,953,692
Share issue costs		-	(189,812)
Net cash from financing activities		<u>-</u>	<u>1,763,880</u>
Net increase/(decrease) in cash and cash equivalents		(915,478)	1,151,041
Cash and cash equivalents at beginning of period		2,297,404	2,115,103
Cash and cash equivalents at end of period	4	<u>1,381,926</u> =====	<u>3,266,144</u> =====

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the half-year ended 31 December 2013

Note 1. Basis of preparation and accounting policies

Basis of preparation

This condensed financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by Bass Strait Oil Company Ltd during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2013, except for the adoption of new standards and interpretations noted below and adopted as of 1 July 2013.

- **AASB 11 Joint Arrangements**
AASB 11 applies to the Group's interest in joint arrangements. Prior to the transition to AASB 11 the Group classified interests in joint arrangements as jointly controlled assets and accounted for its share of assets and liabilities, the income from the sale or use of its share of the arrangement's output and its share of the expenses incurred in respect of jointly controlled assets. Upon adoption of AASB 11, the group determined its interest in joint arrangements to be classified as joint operations and will continue to account for its share of assets and liabilities, the income from the sale or use of its share of the arrangement's output and its share of the expenses incurred in respect of jointly controlled assets. The adoption of AASB 11 did not have a material impact on the 31 December 2013 financial statements.
- **AASB 12 Disclosure of Interests in Other Entities**
AASB 12 sets out the disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. AASB 12 had no impact on the half year financial report of the Group but may require the Group to provide additional disclosure in the 30 June 2014 annual financial statements.
- **AASB 124 Related Party Disclosure**
Amendments to key management personnel disclosure requirements had no impact on the half year financial report but may require the Group to amend disclosures in the 30 June 2014 annual financial statements.

The adoption any other new and/or revised Standards, Amendments and Interpretations from 1 July 2013 including AASB 10 Consolidated Financial Statements, AASB 13 Fair Value Measurement and AASB 119 Employee Benefits did have a material effect on the financial position or performance of the Group

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Exploration and evaluation costs

At each reporting period, the Group assesses indicators of impairment. Exploration and evaluation costs are deferred until exploration and evaluation activities reach a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operation are continuing.

Notes to the financial statements

For the half-year ended 31 December 2013

Note 1. Basis of preparation and accounting policies (continued)

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 31 December 2013 exploration activities in each area of interest where costs are carried forward, that is Vic/P41, Vic/P68, PEP 167, PEP 175 and PEP 150 have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Substantive expenditure in relation to each area of interest is planned based on permit commitments and cash reserves of the Group and on the basis that nothing definitive has come to the attention of Directors to indicate future economic benefits will not be realised. The Group is actively seeking divestment of these permits and is in discussions with interested parties.

The Directors are continually monitoring the areas of interest and continue to assess and explore alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed. If new information becomes available that suggests the recovery of expenditure is unlikely, or further substantive activity or expenditure is no longer planned the amounts capitalised will need to be reassessed at that time.

Going concern

The financial report has been prepared on a going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. This includes the Group's exploration expenditure commitments, being the minimum work requirements under exploration permits for petroleum as set out in Note 8.

At 31 December 2013, the Group has cash reserves of \$1,381,926 (30 June 2013: \$2,297,404), current liabilities of \$153,006 (30 June 2013: \$124,814) and exploration commitments of \$16,965,000 (30 June 2013: \$17,563,000) as set out in note 8. In order to meet these exploration commitments, and continue to pay its debts as and when they fall due and payable, the Group will rely on taking appropriate steps, including:

- Meeting its obligations by either farmout or full or partial sale of the Group's exploration interests;
- Raising capital by one of a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding share options, and/or further issue of shares to the public;
- In some circumstances, subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; or
- Other avenues that may be available to the Group.

No adjustments have been made relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern, particularly the write-down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Note 2. Operating Segments

The Group operates in the petroleum exploration industry within Australia.

The Group determines its operating segments by reference to internal reports that are reviewed and used by the Board of Directors of the Group (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The executive management team currently receive consolidated Statement of Financial Position and Statement of Comprehensive Income information that is prepared in accordance with Australian Accounting Standards therefore there is no additional information to disclose.

The executive team does not currently receive segment Statement of Financial Position and Statement of Comprehensive Income information. The executive team manages the exploration activities of each permit through review and approval of joint venture cash calls, joint venture budgets and other operational information.

Notes to the financial statements

For the half-year ended 31 December 2013

Note 3. Revenue and expenses

	Consolidated	
	31/12/2013	31/12/2012
	\$	\$
Loss before income tax includes the following revenue and expenses:		
Revenue		
Exploration management services	19,441	93,731
Bank interest	33,453	64,522
Other interest	1	1,433
	<u>52,895</u>	<u>159,686</u>
	=====	=====
Expenses		
Audit costs	29,500	42,000
Computer expenses	15,482	15,167
Consultants fees	140,258	217,010
Depreciation of non-current assets	5,954	8,853
Directors remuneration	107,408	98,100
Insurance	9,210	7,854
Legal	70,947	604,070
Printing and stationery	7,417	2,841
Rent and premises costs	53,524	49,415
Recruitment	-	52,778
Salaries, employee benefits and costs	279,365	150,238
Stock exchange and registry costs	18,015	32,989
Travel and corporate promotion costs	27,336	49,819
Exploration expenses	72	-
Other expenses from ordinary activities	16,426	18,812
Exploration expenditure write down	5	93,660
Impairment of intangible assets	6	123,251
	<u>2,503,108</u>	<u>1,566,857</u>
	=====	=====

Note 4. Cash and cash equivalents

	Consolidated	
	31/12/2013	31/12/2012
	\$	\$
For the purposes of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	92,316	1,153,942
Short-term deposits	1,289,610	2,112,202
	<u>1,381,926</u>	<u>3,266,144</u>
	=====	=====

Notes to the financial statements

For the half-year ended 31 December 2013

Note 5. Exploration and evaluation assets

The Group assesses the carrying value of capitalised exploration and evaluation expenditure for impairment at the area of interest level whenever facts and circumstances suggest that the carrying value may exceed its recoverable amount.

An impairment exists when the carrying amount of capitalised exploration and evaluation expenditure relating to an area of interest exceeds its recoverable amount. The asset is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

In the current year, costs of \$1,721,491 associated with Vic/P42 have been written off. The permit has a minimum work program commitment to drill one (1) exploration well in permit year 5. The Group is not able to fund an exploration well and has been unable to attract a farminee willing to fund the well or to be granted a suspension or extension of the year 4 work program. The permit is now in the process of being cancelled.

Further costs of \$703 associated with Vic/P47 have also been written off.

Capitalised exploration and evaluation costs at 31 December 2013 are \$3,720,293 (30 June 2013: \$5,217,257).

The exploration and evaluation costs are represented by: Vic/P41 \$3,548,104 (30 June 2013: \$3,398,154), Vic/P42 \$nil (30 June 2013: \$1,679,809), and other permits \$172,189 (30 June 2013: \$139,294).

Note 6. Yolla royalty

The Yolla Royalty is a 0.0648% overriding royalty from the total net production of the Production Licence T/L1, being the area of the Yolla Field, and the adjacent T/RL1 in the Bass Basin. The royalty was acquired in 2003 through the issue of shares and has a finite life depending upon economic gas and oil condensate reserves in the field. The amortisation of the royalty is based on the units of production method. The current owners commenced commercial production in early July 2006. The Group has received only minimal royalty amounts to date, and the methodology used by the owners in calculating payment sums is in dispute.

Due to the length of time it is taking to resolve this matter, the Directors felt it prudent at the last half year, 31 December 2012, to impair \$123,251 of the carrying value of the asset to the nominal sum of \$1,000. If the dispute is resolved in favour of the Group, the impairments recognised to date may be reversed.

Note 7. Contributed equity

	Consolidated	
	31/12/2013	30/06/2013
	\$	\$
Ordinary shares fully paid	30,928,061	30,913,043
	=====	=====
	No.	\$
Movement in ordinary shares on issue		
At 1 July 2012	388,039,613	29,108,708
Share placement on 13 August 2012	56,205,942	843,089
Share issue on 18 September 2012	74,040,192	1,110,603
Costs of share issue	-	(200,158)
Deferred tax on share issue costs	-	50,801
At 30 June 2013	518,285,747	30,913,043
Deferred tax on share issue costs	-	15,018
At 31 December 2013	518,285,747	30,928,061
	=====	=====

Notes to the financial statements

For the half-year ended 31 December 2013

Note 8. Commitments and contingencies

	Consolidated	
	31/12/2013	30/06/2013
	\$	\$
Expenditure commitments		
Within one year	765,000	1,266,000
After one year but not more than five years	16,200,000	16,297,000
More than five years	-	-
	<u>16,965,000</u>	<u>17,563,000</u>
	=====	=====

Permit commitments comprise minimum work obligations with associated indicative costings for the initial 3 year period of exploration permits (and thereafter annually).

Vic/P41

The Year 2 committed work program consists of 3D seismic reprocessing, fault seal and QI studies (\$418,000) is being completed. The committed work program for Year 3 consists of geological and geophysical studies (\$97,000).

Vic/P68

The Year 2 committed work program consists of geological and geophysical studies (\$250,000) is being completed. The committed work program for Year 3 consists of a 3D seismic survey (\$6,000,000).

PEP 167

The Second term Year 1 commitment of geological and geophysical studies has been completed. The committed work program consists of further geological and geophysical studies in Year 2 (\$250,000), a 150km 2D seismic survey in Year 3 (\$1,500,000), geological and geophysical studies in Year 4 (\$250,000) and one exploration well in Year 5 (\$2,600,000).

PEP 175

The Year 1 commitment of geological and geophysical studies has been completed. The committed work program consists of seismic reprocessing and preparation in Year 2 (\$350,000), a 150km 2D seismic survey in Year 3 (\$1,500,000), one exploration well in Year 4 (\$3,500,000) and re-assessment of the tenement in Year 5 (\$250,000).

Non-cancellable operating lease commitments

	Consolidated	
	31/12/2013	31/12/2012
	\$	\$
Within one year	80,293	77,204
After one year but not more than five years	62,008	142,301
More than five years	-	-
	<u>142,301</u>	<u>219,505</u>
	=====	=====

Notes to the financial statements

For the half-year ended 31 December 2013

Note 9. Related party transactions

During the half-year the Group paid Adelaide Equity Partners Limited consultancy fees of \$45,000 (31 December 2012: \$30,000) and share issue costs of \$nil (31 December 2012: \$19,537). A Director, D J Lindh, is also a Director of Adelaide Equity Partners Limited. The consultancy services were paid under normal commercial terms and conditions. Amounts outstanding at balance date were \$5,500 (31 December 2012: nil).

Note 10. Contingent liabilities

The Group has negotiated a number of bank guarantees in favour of various government authorities and service providers. The total nominal amount of these guarantees at balance date is \$55,920 (2012: \$54,054).

There have been no changes in relation to other contingent liabilities as set out in the 30 June 2013 financial report.

Note 11. Subsequent events

No matters or circumstances have arisen since the end of the reporting period which have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial periods.

To the members of Bass Strait Oil Company Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bass Strait Oil Company Ltd which comprises the statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 2013 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*. As the auditor of Bass Strait Oil Company Ltd 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 half-year financial report of Bass Strait Oil Company Ltd is not in accordance with the *Corporations Act 2001*, including:

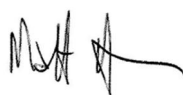
- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualification to the conclusion expressed above, we draw attention to Note 1 *Going Concern*, which sets out the basis by which the Directors believe the consolidated entity will be able to continue as a going concern, including the ability of the consolidated entity to take the appropriate steps as set out in Note 1 *Going Concern* to raise further funding or vary expenditure commitments. However, if further funding is not available or expenditure commitments are not able to be varied, there is a material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability, in particular the carrying value of capitalised exploration and evaluation costs, and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young



Matthew A. Honey
Partner
Melbourne
4 March 2014