BASS STRAIT OIL COMPANY LTD

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2014

CORPORATE DIRECTORY

ABN 13 008 694 817

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 White (Resigned 5 December 2013)
Steve Noske (Appointed 6 January 2014, re-negotiated to a contract basis from 15 May 2014)

Registered Office
and Principal Administration Office
Level 1, 99 William Street
Melbourne, Victoria 3000 Australia
Telephone +61 (3) 9927 3000
Facsimile +61 (3) 9614 6533
Email admin@bassoil.com.au

Auditors
EY
8 Exhibition Street
Melbourne, Victoria 3000 Australia

Share Registry
Link Market Services Limited
Level 9, 333 Collins Street
Melbourne, Victoria 3000 Australia
Telephone +61 (3) 9615 9800
Facsimile +61 (3) 9615 9900

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

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FORWARD LOOKING STATEMENTS

This Annual 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 Group or not currently considered material by the Group.

CHIEF EXECUTIVE OFFICER'S REPORT

Overview

Financial year 2014 has been a year of consolidation for the Bass Strait Oil Company Ltd ('BAS' or 'the Company'). The Company has focused on the identification of our core assets and the rationalization of the exploration permits that no longer provide a pathway forward. Highlights for the year were:

- The Company achieved a work program variation in VicP41 allowing the Company to focus the technical review along the Rosdale Fault trend.
- The Company entered into a conditional farm-in agreement with Cooper Energy in VicP41 and VicP68 (Gippsland Basin). The farm-in agreement was not approved by the Company's shareholders and subsequently not executed.
- The ongoing Technical Evaluation across VicP41 and VicP68 with the results providing encouragement on the potential of these permits to host commercial hydrocarbons.
- A collaboration agreement was executed with HiRex Petroleum Sdn Bhd to assess the prospectivity of VicP42 by integrating the new technology with conventional geological and geophysical data. No drillable prospects were identified resulting in HIREX not proceeding to farmin to Vic/P42. As a consequence the Company agreed to cancel petroleum exploration permit Vic/P42
- Major shareholder, Oil Basins Limited, exiting the Company register and Cooper Energy taking the opportunity to increase its shareholding in the Company to 22.9%
- Cooper Energy entering into the Basker Manta Gummy production licenses immediately south of the Company's core assets in VicP41 and VicP68
- New Chief Executive Officer appointed with the immediate focus to review the forward expenditure and the corporate strategy.

Corporate Strategy

During the year the Board and management completed a review of the Company's operations and corporate strategy. The outcome of the review called for a focus on cost cutting, the divestment of non-core exploration acreage, focused exploration expenditure on the Company's core assets and a continued eye towards new opportunities.

Whilst the failure of the Cooper Energy farm-in to VicP41 and VicP68 was disappointing, the ongoing exploration activities by the Company in these permits coupled with the transactions in the region, give the Company confidence that our remaining Gippsland Basin portfolio (VicP41 and VicP68) continues to grow in value. These permits provide the foundation for growth for the Company.

Consistent with our objective to reduce spend and action only focused exploration, the Company relinquished VicP42 and substantially progressed the divestment of PEP167 and PEP175 to Lakes Oil NL.

The Board and management believe that the ongoing tightness in the east coast gas supply, the entering of Cooper Energy into the Basker Manta Gummy production licenses and the completion of a large technical work program across VicP41 and VicP68 holds the Company is a strong position to grow from its Gippsland Basin portfolio. The Company intends to pursue farm-in and corporate opportunities related to the VicP41 and VicP68 exploration acreage.

Over the year the Company sought to identify new opportunities in onshore oil and gas plays in Australia, New Zealand and Indonesia. Whilst a number of opportunities were reviewed, none met full criteria to move forward.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Exploration Projects

An update of the exploration activities in each of our permits is as follows:

GIPPSLAND BASIN OFFSHORE

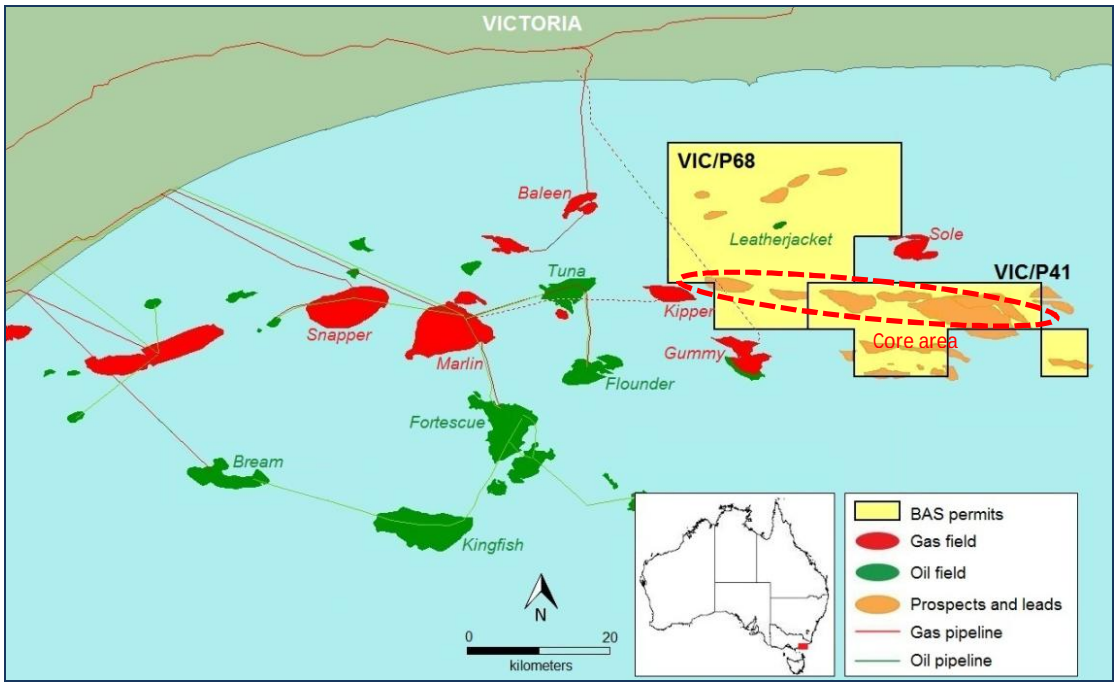

Figure 1: Bass Strait Oil Company Gippsland Basin exploration portfolio

Vic/P68: BAS 100% and Operator

Exploration permit Vic/P68 lies to the west of Vic/P41 in the offshore Gippsland Basin with water depths increasing from 50 to 150 metres towards the southeast. This block comprises 1074 km^2 and contains two primary 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 would undertake, at its sole cost, reprocessing and merging of multiple 3D datasets and selected QI/AVO analyses, including 255 sq km within Vic/P68 ("Technical Evaluation").

In November 2013 shareholders did not approve the farm-in option by Cooper Energy Limited and the Company subsequently elected to continue with the Technical Evaluation at its sole cost. Whilst this work remains ongoing, activities completed to date, including the interpretation of the reprocessed 3D seismic, provide ongoing encouragement.

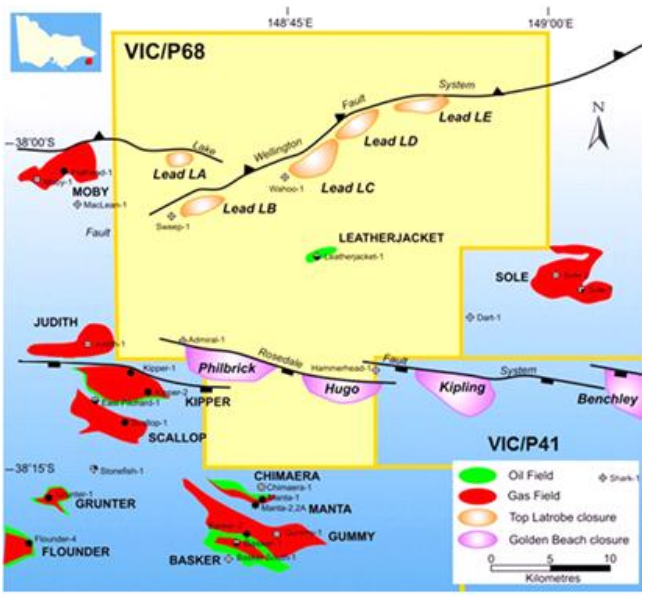

Figure 2: Vic/P68

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

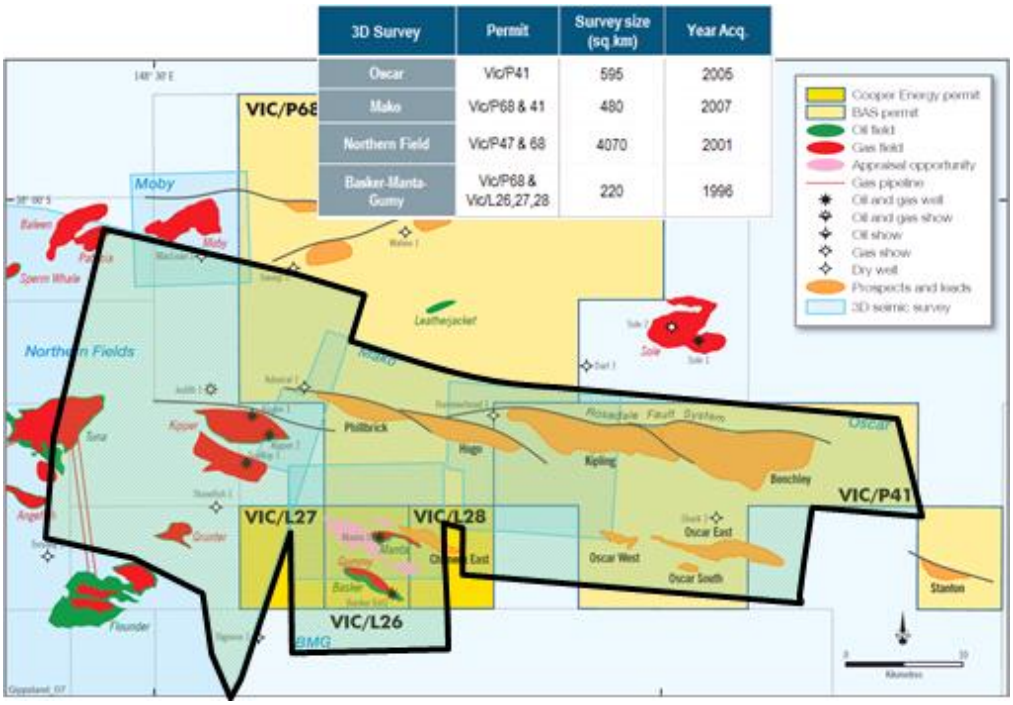

Figure 3: 3D Seismic reprocessing across VicP41 and VicP68

Vic/P41: BAS 64.565% and Operator

Exploration permit Vic/P41 (539 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.

Over the period the joint venture reviewed the work program for the permit and 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.

The Company executed a farm-in agreement with Cooper Energy Limited to participate in Vic/P41. Under the terms of the agreement, Cooper Energy would undertake reprocessing and merging of multiple 3D datasets and selected QI/AVO analyses, including 430 sq km within the permit ("Technical Evaluation"). Cooper Energy was 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.

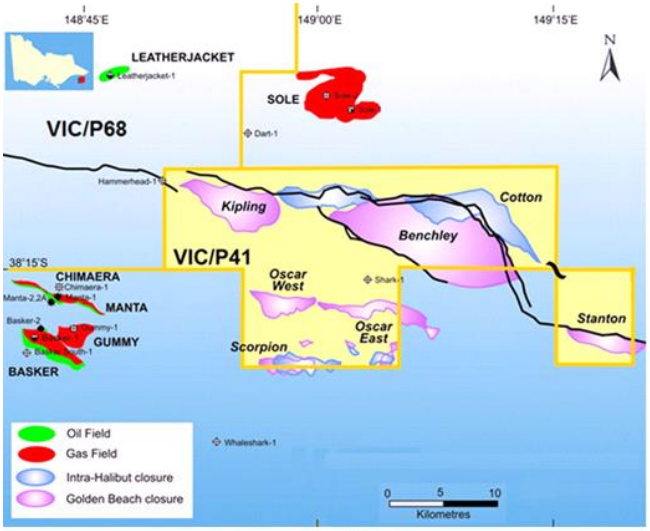

Figure 4: Vic/P41

In November 2013 the Company's shareholders did not approve the farm-in by Cooper Energy Limited and the joint venture subsequently elected to continue with the Technical Evaluation at its own cost. The joint venture approved the Technical Evaluation to be undertaken by DownUnder GeoSolutions with the project managed by Cooper Energy on behalf of the Joint Venture.

The Technical Evaluation was progressed during the year. The outcome of this work provides confidence that the VicP41 permit will form a core asset in the Company's forward planning.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Vic/P42: BAS 100% and Operator

Vic/P42 comprises approximately 930 km^2, and is located adjacent to Kingfish, Australia's largest oil field, as well as Bream and other producing Esso/BHP oil and gas fields.

Farm-out discussions were initiated during the year which progressed to the execution of a collaboration agreement with HiRex Petroleum Sdn Bhd. Under the collaboration agreement, HiRex agreed to assess the prospectivity of Vic/P42 by integrating their proprietary new technology with conventional geological and geophysical data. No drillable prospects were identified resulting in HIREX not proceeding to farmin to Vic/P42. As a consequence the Company agreed to cancel petroleum exploration permit Vic/P42

OTWAY BASIN ONSHORE

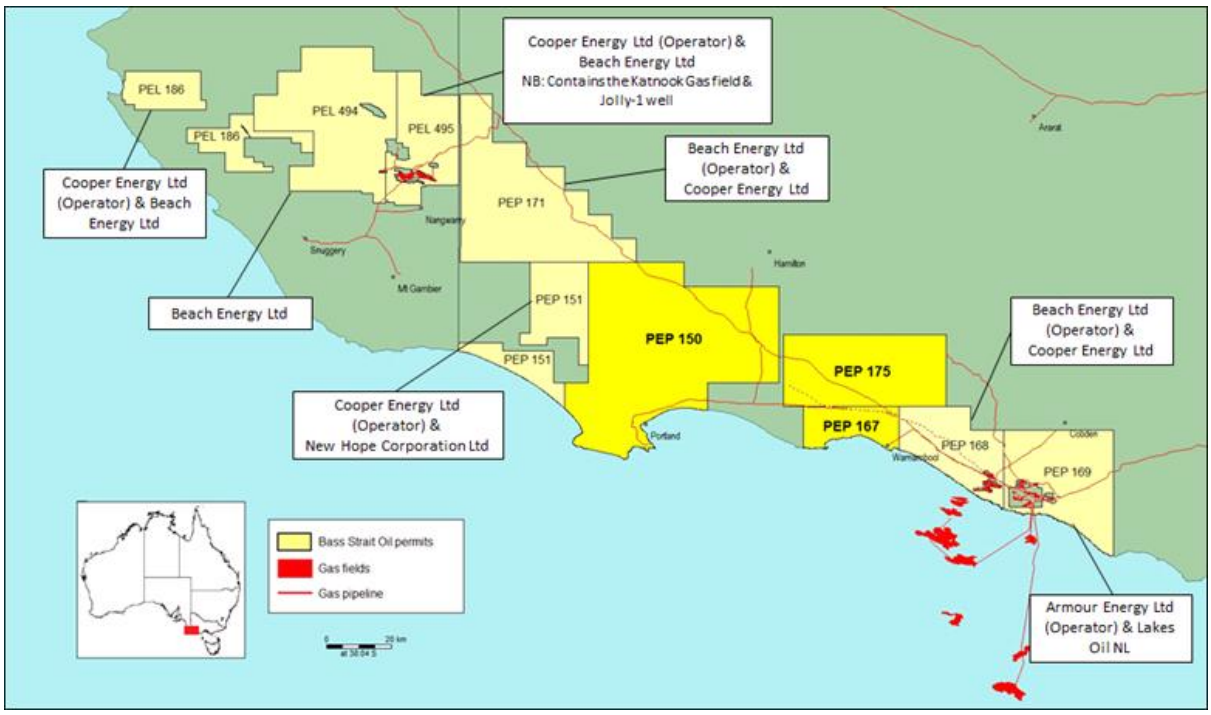

Figure 5: Onshore Otway Basin

PEP 167: BAS 100% and Operator

Exploration permit PEP 167 is located in the onshore Otway Basin, near Port Fairy in western Victoria. The permit comprises 408 km2.

Activity in the permit ceased as a consequence of the Victorian Coalition Government's decision to put a hold on work plan approvals for onshore gas exploration.

Arising from the strategic review completed during the period, PEP 167 was deemed "non-core". Divestment discussions were largely completed during the year with the Company executing a conditional sale agreement with Lakes Oil NL in July 2014 with final payment received on the 26th September 2014.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

PEP 175: BAS 100% and Operator

Exploration permit PEP 175 was granted for a 5 year term, effective from 18 April 2014. The permit is located in the onshore Otway Basin, to the east of PEP 150 and north of PEP 167. The permit comprises 1419 km2.

Activity in the permit ceased as a consequence of the Victorian Coalition Government's decision to put a hold on work plan approvals for onshore gas exploration.

PEP 175 was deemed "non-core" arising from the strategic review completed during the period. Divestment discussions were largely completed during the year with the Company executing a conditional sale agreement with Lakes Oil NL in July 2014 with final payment received on the 26th September 2014.

PEP 150: BAS 15%

This permit of 3253 km2 is located near Portland and contains the 1989 Lindon and 1995 Digby oil discoveries. The permit has been subject to negotiation of Native Title for many years. On 26 August 2013 the petroleum permit PEP 150 was awarded in the onshore Otway Basin which is operated by Beach Petroleum Ltd. 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.

As a consequence of the Victorian Coalition Government's decision to put a hold on work plan approvals for onshore gas exploration the Operator, on behalf of the joint venture, applied for a 12 month suspension and extension of the year 1 work commitments which was subsequently approved in June 2014.

The Company remains buoyed by the Jolly-1 drilling results in PEL 495 and the Bungaloo-1 drilling results in PEL 494 well reinforcing the impression of the potential of the Casterton Formation, the wells also identified gas-bearing sandstone intervals in the Lower Sawpit Shale. The significance of this outcome for PEP 150 is under review by the Company and PEP 150 remains a core asset for the Company.

Steve Noske
Chief Executive Officer
29 September 2014

DIRECTORS' REPORT

The Directors present their report on the results of Bass Strait Oil Company Ltd consolidated entity ("BAS" or "the Company" or "the Group") for the year ended 30 June 2014.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report follow. Directors were in office for the entire period unless otherwise stated.

John L C McInnes OAM BCom FCA - Chairman and non-executive independent director *(Appointed 1/10/2008)*

Mr McInnes holds an Economics and Commerce degree from the University of Melbourne and is a Chartered Accountant. He was the founding partner of McInnes Graham & Gibbs, which in 2006 merged with Mutual Trust Pty Ltd, of which he is now a non-executive director and Deputy Chairman. Mr McInnes is also currently a director of a number of listed and unlisted companies including Haoma Mining NL Group.

He is a Fellow of the Institute of Chartered Accountants in Australia and in 2007 he was awarded a Medal of the Order of Australia in recognition of his services to sport, business and the community.

Mr McInnes served on the audit committee during the year.

Andrew P Whittle BSc (Hons) - Non-executive independent director (*Appointed 9/8/2011*)

Mr Whittle has over 40 years experience in the petroleum exploration and production industries world wide, with a focus on SE Asia and Australia. His experience includes over 21 years with several affiliates of Exxon Corporation, finally in the position of Geological Manager of Esso Australia.

He is also currently Chairman of Central Petroleum Limited and is a founding Director of Petroval Australasia Pty Ltd, as well as other unlisted companies.

He is a member of the American Association of Petroleum Geologists and the Petroleum Exploration Society of Australia.

Mr Whittle served on the audit committee during the year.

David J Lindh OAM LLB – Non executive director (*Appointed 25/11/2011*)

Mr Lindh has over 30 years experience as both a lawyer and company director. Mr Lindh is currently the Chairman of ASX listed Island Sky Australia Ltd and has been the Chairman of Enterprise Energy Ltd, Orca Petroleum Ltd and Centrex Metals Ltd.

Mr Lindh is also currently Chairman of Adelaide Equity Partners Limited, a director of various other unlisted companies and a consultant with Minter Ellison lawyers in Adelaide. Mr Lindh was awarded a Medal of the Order of Australia in recognition of his services to business and equestrian sport.

Mr Lindh served as Chair on the audit committee during the year.

Jayme A McCoy – Non-executive independent director (*Appointed 25/11/2011, Resigned 31/08/2013*)

Mr Jayme McCoy has over 25 years experience in the oil and gas industry and previously served as the Managing Director of ASX listed Sundance Energy Australia Ltd. During his time as MD of Sundance Energy, Mr McCoy was instrumental in a number of extremely successful transactions which took the market capitalisation of Sundance from $16 million to $166 million over a six year period.

Mr McCoy has a detailed understanding of oil and gas geology and has extensive professional expertise in this sector acquired in North America with Freedom Energy Inc., Farmoil Inc. and Thomson Valley Gas Inc.

DIRECTORS' REPORT (CONTINUED)

INTERESTS IN THE SHARES & OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares and options of Bass Strait Oil Company Ltd were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
J L C McInnes	1,500,000	-
A P Whittle	466,666	-
D J Lindh (a)	78,141,784	5,000,000

(a) Mr Lindh's interest includes 2,683,332 shares held directly and 75,458,452 shares and 5,000,000 options held indirectly by a related party, South Australian Resource Investments Pty Ltd, a subsidiary of Adelaide Equity Partners Ltd.

COMPANY SECRETARY

Mrs R Hamilton was appointed Company Secretary on the 31st March 2011. She has been a Chartered Accountant for over 20 years.

DIVIDENDS

During the year and to the date of this report, no dividends were recommended, provided for or paid.

PRINCIPAL ACTIVITY

The principal activity during the year was exploration for oil and gas in onshore and offshore areas of south-eastern Australia. This principal activity remains unchanged from the previous financial year. The interests and exploration programs in which the Company has interests are not mature and should be regarded as highly speculative.

OPERATING AND FINANCIAL REVIEW

Operating results for year

The Company's operating loss for the year ended 30 June 2014 after income tax was $3,091,993 (2013: ($3,641,170)) and reflects further write downs taken in the exploration permits.

Following the strategic review of the Group, administration expenses for the year have reduced to $823,769 (2013: $1,580,903). In order to achieve these cost savings, amongst other things, the Group has re-negotiated with key staff and now contracts their services on an as required basis.

At balance date, the Group was the operator of four exploration permits, which is down from the previous year when the Group operated seven permits. Revenue has reduced to $32,533 (2013: $179,924) during this financial year due to lower joint venture management fees being received and reflects the decision to rationalise the exploration portfolio, and lower interest received.

Review of Operations

During the financial year, the Company:

- Investigated a number of potential opportunities and farmin opportunities
- Withdrew from Vic/P47 Joint Arrangement after reviewing results of the Judith gas resource re-assessment
- Relinquished Vic/P42 in the offshore Gippsland Basin
- Progressed the 3D Seismic Reprocessing and Quantitative Interpretation Studies in Vic/P41 and VicP68.

Review of Financial Condition

Liquidity
The Group's consolidated statement of cash flows for the year recorded a decrease of $1,584,750 (2013: increase of $182,301) in cash and cash equivalents. The cash flows were derived from operating receipts of $30,544 (2013: $699,425), other receipts of $55,881 (2013: $108,906) and capital raising net of transaction costs of $nil (2013: $1,753,534).

DIRECTORS' REPORT (CONTINUED)

Cash outflows relating to operations of $1,368,869 (2013: $1,997,979) exceeded the total operating inflows. There were also cash outflows in investing activities of petroleum expenditure and plant and equipment of $302,306 (2013: $381,585). Cash assets at 30 June 2014 were $712,654 (2013: $2,297,404).

CHANGES IN THE STATE OF AFFAIRS

Total equity decreased to $4,403,756 from $7,465,712, a decrease of $3,061,956. The movement was the result of the operating loss for the year of $3,091,993.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the Group's operations in future years and the expected result from those operations are dependent on exploration success in the permit areas in which the Group currently holds an interest and the ability to fund the ongoing operations.

FUTURE PROSPECTS AND BUSINESS RISKS

The Group is exposed to a range of operational, financial and governance risks. The Group has risk management and internal control systems in place to manage business risks.

Funding risks

The future growth of the Group is dependant on acquiring new opportunities and raising capital. Adequacy and availability of funding will, for the immediate future remain a key focus for the Group and its Shareholders. The Group will likely need to raise additional capital to implement and complete its business plans and meet all work and planned and unexpected expenditure commitments on its permits. In the unlikely event that work program commitments can not be met, permits if not surrendered, can be cancelled by the relevant authorities.

If the above mentioned additional funding is not raised, there is uncertainty regarding the ability of the Group to continue as a going concern, as set out in Note 2(c) of the financial report, the audit report contains an emphasis of matter paragraph in relation to going concern.

Regulatory risks

Operations by the Group may require approvals from regulatory authorities which may not be forthcoming, either at all or in a timely manner, or which may not be able to be obtained on terms acceptable to the Group. While the Group can reasonably believe that all requisite approvals will be forthcoming, and whilst the Group's obligations for expenditure will be predicated on any requisite approvals being obtained, the Group cannot guarantee that any or all requisite approvals will be obtained. A failure to obtain any approval would mean that the ability of the Group to participate in or develop any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.

Exploration and drilling risks

Petroleum exploration involves significant inherent risks in predicting the location and nature of potential petroleum accumulations in the sub-surface. The Group cannot give any assurance that its exploration program will result in the discovery of any accumulation of oil or gas, nor that any discovery will be commercially viable or recoverable. Risks in relation to drilling operations include break-downs, delays due to weather or sea conditions and shortages of critical equipment or materials. There are also the financial and environmental risks of drilling incidents such as blow-outs, fires and oil spills. The Group mitigates these risks via its safety and environmental policies, plans and procedures and will arrange appropriate insurances for particular risks. All of these risks may materially affect the cost of drilling or other operations and adversely impact on any outcome from those operations.

In the event that exploration programs prove to be unsuccessful, this will likely lead to: a diminution in the value of any of the Group's permits subject to such unsuccessful exploration activities; a reduction in the cash reserves of the Group by virtue of the costs of such activities; possible increased difficulty in raising additional funds following any such unsuccessful activity (particularly drilling); and possible relinquishment of permits.

Discovery risks

Any discovery may not be commercially viable or recoverable. For a wide variety of reasons, not all discoveries are commercially producible.

DIRECTORS' REPORT (CONTINUED)

Contract risks

The Group operates through a series of contractual relationships with operators, technical experts, project managers and contractors generally. All contracts carry risks associated with the performance by the parties of their obligations as to time and quality of work performed. Given that the Group is in joint arrangements with various other parties and has, or may, enter into farm out agreements where its obligations are assumed by others, the incapacity of those joint venturers or farminees to meet contracted obligations would adversely affect the Group's capacity to carry out its own activities.

Environmental compliance and risks

In carrying out operations, the Group and its relevant Joint Arrangement participants are required to comply with the *Environment Protection and Biodiversity Conservation Act 1999 (Cwth)* ("EPBC Act") which specifies and regulates the environmental protections needed to be put in place by operators to avoid and minimise adverse environmental impact from those operations. The EPBC Act sets out stringent conditions which operator must comply and imposes rigid conditions that must be met before operations can commence. In the event of breaching any such conditions, the Group may be liable to prosecution and the imposition of penalties.

Further, following cessation of any production from future operations, the Group will be required to participate in abandonment programs resulting from operations in which it participates, removal of disused plant and equipment and where necessary, restoration of the environment that has been disturbed in the course of operations. The cost of that participation may be considerable if operations result in significant environmental liabilities being incurred. In such a case, any allowance made for rehabilitation could possibly be inadequate.

EVENTS SUBSEQUENT TO BALANCE DATE

On 11 July 2014 the Group announced that it had entered into an agreement with Lakes Oil NL for the sale of it's equity in onshore exploration permits PEP 167 and PEP 175, which is subject only to regulatory approval. Under the terms of the sale Lakes will acquire 100% equity in PEP 167 and PEP 175 and will be responsible for the ongoing work programme in return for a non refundable deposit of $30,000 and a total cash payment to the Group of $300,000 which is consideration for past expenditure. The outstanding cash payment of $255,000 (net of costs) was received on 26 September 2014.

On 24 July 2014, the Vic/P41 Joint Arrangement applied for a suspension and extension of the Year 3 work program with the National Offshore Petroleum Titles Administrator. Approval or otherwise of the suspension and extension application remains ongoing.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 10,000,000 unissued ordinary shares under options (10,000,000 at 30 June 2013). There were no shares issued during the period from the exercise of options (2013: nil).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

BAS maintains a directors and officers insurance policy and has paid an insurance premium for the policy. The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liabilities insured. Pursuant to the constitution the Company has entered into Deeds of Indemnity with the Directors and Chief Executive Officer.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

DIRECTORS' REPORT (CONTINUED)

	Board Meetings		Audit Committee	
	Held	Attended	Held	Attended
J L C McInnes	9	9	2	2
A P Whittle	9	9	2	2
D J Lindh	9	9	2	2
J A McCoy	2	2	-	-

REMUNERATION REPORT (AUDITED) (30 June 2014)

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes executives in the Parent and the Group receiving the highest remuneration. For the purposes of this report, the term 'executive' encompasses senior managers and secretaries of the Parent and Group.

Details of Key Management Personnel (including executives of the Group)

(i) Directors

J L C McInnes	Chairman
A P Whittle	Director (Non-executive)
D J Lindh	Director (Non-executive)
J A McCoy	Director (Non-executive) (Resigned 31 August 2013)

(ii) Executives

S R Noske	Chief Executive Officer (Appointed 6 January 2014, re-negotiated to a contract basis from 15 May 2014)
T A White	Chief Executive Officer (Appointed 3 December 2012, Resigned 5 December 2013)
J Remfry	General Manager (Contracted 8 August 2012 to 14 December 2012)
R M Hamilton	Company Secretary

There have been no other changes to key management personnel after 30 June 2014 and before the date the financial report was authorised for issue.

The Board of Directors ("the Board") is responsible for determining and reviewing remuneration arrangements for the directors and executives. No remuneration consultant was engaged nor was any remuneration advice sought during the period.

The Board assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from retention of a high quality, high performing executive team.

Remuneration Philosophy

The performance of the Company largely depends upon the quality of its directors and executives. To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Remuneration policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants if required, as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (30 June 2014) (continued)

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 3 October 2001, when shareholders approved an aggregate remuneration of $250,000 per year.

Structure
The remuneration of non-executive directors consists of director's fees and committee fees for the non-executive director who Chair's the Audit committee. The payment of additional fees for chair of the Audit committee recognises the additional time commitment required by a non-executive director who chairs a sub-committee. The non-executive directors also receive retirement benefits in the form of superannuation. There are no other retirement benefits, other than superannuation.

The table below summaries the non-executive director remuneration:

Board fees	
Chairman	$75,000
Directors	$50,000
Incremental Audit Committee fees	
Chairman	$5,000

No other fees are paid for serving on Board committees or on boards of wholly owned subsidiaries.

Non-executive directors have been encouraged by the Board to hold shares in the Company.

The remuneration of non-executive directors for the period ending 30 June 2014 and 30 June 2013 is detailed in Table 1 and 2 respectively of this Remuneration Report.

On 22 September 2014, the Directors waived accrued but unpaid Directors fees for the year ended 30 June 2014 and agreed to a reduction of 50% of the above amounts for 1 July 2014 onwards, to be reassessed subsequent to a strengthening of the Company's cash position.

Executive Remuneration

Objective
The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for individual performance;
- Align the interests of executives with those of shareholders; and
- Ensure that total remuneration is competitive by market standards.

Structure
In determining the level and make-up of executive remuneration, the Board engages external consultants as needed to provide independent advice. No consultant was engaged in the current year.

The Company has entered into a contract of employment with the Chief Executive Officer (commencing on 14 May 2014) and standard contracts with other executives and consultants. Details of these contracts are provided on page 12.

Remuneration consists of the following key elements:
- Fixed remuneration (base salary and superannuation)
- Variable remuneration
    - Long term incentive (LTI)

The proportion of fixed remuneration and variable remuneration (potential long term remuneration incentives) for each executive is set out in Table 1.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (30 June 2014) (continued)

Fixed remuneration

Objective
Fixed remuneration is reviewed regularly by the Board, with access to external advice if required.

Structure
Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and superannuation. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue costs for the Company. The fixed remuneration component of executives is detailed in Table 1.

Variable remuneration – Long Term Incentives (LTI)

Objective
The objective of LTI plans is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth.

Structure
LTI grants to executives are delivered in the form of share options under the Senior Executives and Officers Option Plan. Share options may be granted to senior executives with more than 12 months service. The share options may vest over a period. There are no non-market performance conditions other than service criteria. Executives are able to exercise the share options for up to 3 years after vesting before the share options lapse.

As the Company's activities have been predominantly in petroleum exploration, shareholder wealth is dependent, for the foreseeable future, on exploration success rather than an improvement in the Company's earnings.

The Company's share price is seen as a measure of exploration success and, accordingly, variable remuneration and LTI grants that existed during the 30 June 2014 financial year consisted of options over unissued shares in the Company. During the year, the Company's share price had a highest sale price of 0.8 cents and a lowest sale price of 0.4 cents. The share price at 30 June 2014 was 0.5 cents (2013: 0.6 cents, 2012: 2 cents, 2011: 3 cents, 2010: 3 cents). During the year and to the date of this report, no dividends were recommended, provided for or paid. Table 3 provides details of the value of options granted, exercised and lapsed during the year. No grants have been made since 2011.

Employment contracts

Chief Executive Officer
Mr S Noske was appointed Chief Executive Officer on 6 January 2014 and was employed under a rolling contract whereby Mr Noske received fixed remuneration of $375,000 per annum. The employment agreement was terminated effective 14 May 2014 and then re-negotiated from 15 May 2014 onto a daily rate of $1,500 per day for 3 days per week until 15 July 2014 in order to reduce administration costs. From 15 July 2014 through to 29 September 2014 Mr Noske has been working full time on a daily rate of $1,500 per day. Mr Noske was entitled to a success fee of 5% of the net cash consideration of the sale in the Otway Basin permits PEP167 and PEP 175, up to a limit of $25,000, once payment has been received by the Company. From 29 September 2014 Mr Noske has been re-appointed as Chief Executive Officer on a full-time executive agreement and will receive a fixed remuneration of $350,000 per annum plus other short term and long term incentives. If there is cause for termination, the Company can terminate the executive agreement immediately without compensation; otherwise, the executive agreement may be terminated at any time by the Company giving 2 months written notice and payment of a termination amount equivalent to 4 months fixed remuneration.

Mr T White was appointed Chief Executive Officer on 3 December 2012. As CEO Mr White was employed under a rolling contract and under the terms of the contract, Mr White received fixed remuneration of $350,000 per annum. Mr White resigned from his position, giving 2 months written notice, effective 5 December 2013.

Payments applicable to outgoing executives

The following arrangements applied to outgoing executives in office during the 2014 financial year:
- Mr White resigned with effect on 5 December 2013 and was not paid any termination benefits.

The following arrangements applied to outgoing executives in office during the 2013 financial year:
- Dr Mackie resigned with effect on 28 August 2012 and was not paid any termination benefits.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (30 June 2014) (continued)

Company performance

The remuneration of Bass executives and contractors is not formally linked to financial performance measures of the Company. In accordance the Section 300A of the *Corporations Act 2001* the following table summarises Bass's performance over a five year period:

Measure	2014	2013	2012	2011	2010
Net (loss)/profit - $000	(3,092)	(3,641)	(4,370)	(932)	(534)
Basic (loss) per share – cents per share	(0.006)	(0.007)	(0.012)	(0.003)	(0.002)
Share price at the beginning of year* - $	0.01	0.02	0.03	0.03	0.03
Share price at end of year* - $	0.01	0.01	0.02	0.03	0.03
Dividends per share – cents	Nil	Nil	Nil	Nil	Nil

* Prices have been rounded to two decimal points

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2014

	Short-term benefits	Post employment	Share-based payments	Long-term benefits		Perform-ance related
	Salary & fees	Super-annuation	Options	Long service leave	Total	
	$	$	$	$	$	%
Non-executive Directors						
J L C McInnes	65,625	6,070	-	-	71,695	0.00%
A P Whittle	43,750	4,047	-	-	47,797	0.00%
D J Lindh	48,125	4,452	-	-	52,577	0.00%
J A McCoy (a)	9,083	-	-	-	9,083	0.00%
Sub-total non-executive directors	166,583	14,569	-	-	181,152	
Other key management personnel						
T White (b)	137,182	12,689	-	-	149,871	0.00%
S Noske (c)	143,864	12,440	-	-	156,304	0.00%
R M Hamilton	79,300	-	-	-	79,300	0.00%
Sub-total other KMP	360,346	25,129	-	-	385,475	
Totals	526,929	39,698	-	-	566,627	

(a) Resigned 31 August 2013
(b) Resigned 5 December 2013
(c) Appointed 6 January 2014, re-negotiated to a contract basis from 15 May 2014

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (30 June 2014) (continued)

Table 2: Remuneration for the year ended 30 June 2013

	Short-term benefits	Post employment	Share-based payments	Long-term benefits		Perform-ance related
	Salary & fees	Super-annuation	Options	Long service leave	Total	
	$	$	$	$	$	%
Non-executive Directors						
J L C McInnes	67,500	6,075	-	-	73,575	0.00%
A P Whittle (a)	45,000	4,050	-	-	49,050	0.00%
D J Lindh	47,500	4,275	-	-	51,775	0.00%
J A McCoy (b)	49,050	-	-	-	49,050	0.00%
Sub-total non-executive directors	209,050	14,400	-	-	223,450	
Other key management personnel						
S I Mackie (c)	76,288	4,167	-	-	80,455	0.00%
T White (d)	187,309	16,858	-	-	204,167	0.00%
J Remfry (e)	116,200	-	-	-	116,200	0.00%
R M Hamilton	89,770	-	-	-	89,770	0.00%
Sub-total other KMP	469,567	21,025	-	-	490,592	
Totals	678,617	35,425	-	-	714,042	

(a) Interim Managing Director Appointed 13 August 2012, Resigned 19 December 2012
(b) Resigned 31 August 2013
(c) Resigned 28 August 2012
(d) Appointed 3 December 2012
(e) Contracted 8 August 2012 to 14 December 2012

Table 3: Shareholdings of key management personnel

Shares held in Bass Strait Oil Company Ltd (number)

	1 July 2013 Balance at beginning of period	Granted as remuneration	On exercise of options	Net change other	30 June 2014 Balance at end of period
2014					
Directors					
J L C McInnes	1,500,000	-	-	-	1,500,000
A P Whittle	466,666	-	-	-	466,666
D J Lindh (b)	31,538,962	-	-	46,602,822	78,141,784
J A McCoy (a)	500,000	-	-	-	500,000*
	34,005,628	-	-	46,602,822	80,608,450

* Shareholding at the time of resignation
No other KMP holds shares in the Company.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (30 June 2014) (continued)

Table 4: Shareholdings of key management personnel (continued)

Shares held in Bass Strait Oil Company Ltd (number)

	1 July 2012 Balance at beginning of period	Granted as remuneration	On exercise of options	Net change other	**30 June 2013** Balance at end of period
2013					
Directors					
J L C McInnes	1,000,000	-	-	500,000	1,500,000
A P Whittle	400,000	-	-	66,666	466,666
D J Lindh (b)	26,104,704	-	-	5,434,258	31,538,962
J A McCoy	500,000	-	-	-	500,000
	28,004,704	-	-	6,000,924	34,005,628

(a) Resigned 31 August 2013, balance is at the time of resignation.
(b) Mr Lindh's interest includes 2,683,332 (2013: 2,683,332) shares held directly and 75,458,452 (2013: 28,855,630) shares held indirectly by related parties, South Australian Resource Investments Pty Ltd and Chesser Nominees Pty Ltd, both subsidiaries of Adelaide Equity Partners Ltd.

Other transactions and balances with key management personnel and their related parties

In accordance with AASB 124: "Related Party Disclosures", key management personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Bass Strait Oil Company Ltd. Hence, KMP are deemed to include the following:

- the non-executive Directors of Bass Strait Oil company Ltd; and
- certain executives in the Chief Executive Officer's (CEO's) senior leadership team, including the CEO.

During the year the Group paid corporate advisory expenses of $60,000 (2013: $79,537) to Adelaide Equity Partners Ltd, a Company in which one Director, Mr D Lindh, is also a Director. The fees were provided under normal commercial terms and conditions. Amounts outstanding at balance date were $5,500 (2013: $5,500).

Equity Instruments

Table 5: Options awarded and vested during the year

30 June 2014	**Year**	**Options awarded during the year No.**	**Award date**	**Fair value per options at award date ($)**	**Vesting date**	**Exercise price**	**Expiry date**	**No. vested during year**	**No. lapsed during year**
Other key management personnel and related parties									
Adelaide Equity Partners Ltd	2011	-	14-Oct-2011	$0.01	14-Oct-2011	$0.04	14-Oct-2014	-	-

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.
No shares were issued as a result of options exercised during the year.

No other options were held by KMP during the year ended 30 June 2014.

DIRECTORS' REPORT (CONTINUED)

HEALTH, SAFETY AND ENVIRONMENT

The Company has adopted an Environment Policy and a Safety Policy and conducts its operations in accordance with the APPEA Code of Environmental Practice 2008.

The Company's petroleum exploration and development activities are subject to environmental conditions specified in the Offshore Petroleum and Greenhouse Gas Storage Act 2006, associated Regulations and Directions, as well as the Environment Protection and Biodiversity Conservation Act 1999. During the period there were no known contraventions by the Company of any relevant environmental regulations.

The Company believes all injuries are avoidable and has policies and procedures to ensure employees and contractors manage safety accordingly. There is a continuous process of monitoring and evaluating our procedures. During the year there were no reported health and safety incidents.

CORPORATE GOVERNANCE

The ASX Corporate Governance Council has issued "Corporate Governance Principles and Recommendations" (the CGC Paper) requiring ASX listed companies to report their corporate governance practices against those principles and recommendations.

The Board has elected that the Company adopt those principles and recommendations set out in the CGC Paper that are appropriate to a company of the size and stage of development of BAS.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the year ended 30 June 2014 is included on page 13.

Non-audit services
EY has provided no non-audit services during the period.

Signed in accordance with a resolution of the Directors

Chairman

Melbourne, 29 September 2014

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

In relation to our audit of the financial report of Bass Strait Oil Company Ltd for the financial year ended 30 June 2014, 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
29 September 2014

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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) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and it's performance for the year ended on that date; and

  (ii) complying with Accounting Standards and 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.

(c) the financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

On behalf of the Board

Chairman
Melbourne, 29 September 2014

CORPORATE GOVERNANCE STATEMENT

Bass Strait Oil Company Limited (the Company) and the Company's Board of Directors (the Board) are committed to achieving and demonstrating the highest standards of corporate governance. It does this by ensuring that the Company complies with not only the letter of the many regulations and laws governing the Company's operations but also complies with the spirit and intention of those regulations and laws. It is also committed to ensuring that the shareholders and the market are kept fully informed regarding the Company's operations and strategic direction. The Board continually reviews the framework and practices of the Company to ensure they meet the interests of shareholders.

Good Corporate Governance is primarily dependent on the culture of the Company generally and the Board and Senior Management in particular. Mere compliance with the ASX recommendations in itself however, will not necessarily result in good corporate governance.

A description of the Company's main corporate governance practices are set out below. All of these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX *Corporate Governance Principles and Recommendations (including 2010 Amendments),* unless otherwise stated.

Principle 1: Laying Solid Foundations for Management and Oversight

The Board of Directors

The relationship between the Board and senior management is critical to the Company's long-term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Role of the Board

The Board has adopted a formal charter that details the functions and responsibilities of the Board.

A copy of the Board Charter is available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

The Board's responsibilities include:

- Providing leadership of the Company;
- Ensuring that the Company has effective processes and systems;
- Setting, overseeing and maintaining the Company's values, corporate governance framework;
- Safeguarding the reputation of the Company;
- Ensuring there is an effective balance of responsibility between the Chief Executive Officer ("CEO") and the Board;
- Ensuring necessary financial and human resources are available ensuring that the performance of management, and the Board itself, is regularly assessed and monitored;
- Promoting a culture where transparent and timely information is shared between management and the Board;
- Ensuring effective communication with shareholders; and
- Appointing, reviewing the performance of, and terminating the Chief Executive Officer.

Matters Specifically Reserved For The Board

The Board has reserved for itself the following matters, which are in addition to any matters expressly required by law or other regulation to be approved by the Directors:

- Approving annual operating plans (including objectives, goals and strategies) and regularly reviewing achievement against plan.
- Approving capital requirements.
- Delegating certain authorities to management and monitoring the exercise of these authorities.
- Approving remuneration of the Board and CEO.
- Approving capital structure and dividend policy.
- Approving half yearly and full year accounts, the annual report, and related reports to ASX and regulatory authorities.
- Considering management proposals, including material capital expenditure and divestments and providing advice and approvals where appropriate.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- Maintaining corporate and Board values to ensure the Company acts with the highest ethical standards and integrity in accordance with all legal and regulatory requirements and otherwise in accordance with those management and government best practices appropriate to its business.
- Approving and monitoring compliance with the Company's policies, charters and codes.

Relationship between Directors and Management

Subject to the Company's Constitution and matters specifically reserved for the Directors, the Directors delegate responsibility for day-to-day management of the Company to the Chief Executive Officer. The non-executive Directors do not participate in the day to day affairs or management of the Company.

Senior Executive Performance

All direct reports of the Chief Executive Officer are evaluated by the Chief Executive Officer and the performance evaluation of the Chief Executive Officer is facilitated by the Chairman, with ultimate oversight by the Board. The evaluation of the Chief Executive Officer involves an assessment of a range of factors including the overall performance of the Company and the achievement of specific pre-determined goals.

During the reporting period, a performance evaluation of senior executives (including the Chief Executive Officer) has taken place in accordance with this process.

Principle 2: Structure the Board to add value

The Board operates in accordance with its charter which is available from the Corporate Governance section of the Company website at www.bassoil.com.au. The charter details the Board's composition and responsibilities.

Board Size

The Company's Constitution includes provisions for the number of Directors and the appointment and retirement of directors.

The Company's Constitution specifically provides that the Company is to have not less than three and the maximum number of directors is to be fixed by the directors, but may not be more than ten directors, unless the Company in general meeting resolves otherwise.

A copy of the Company's Constitution is made publicly available in the corporate governance section of the Company's website at www.bassoil.com.au.

Board Composition

The Company's Board Charter provides that the Board should comprise Directors with an appropriate range of skills, experience and expertise who have a proper understanding of and competence to deal with the current and emerging issues of the business, and who can effectively review and challenge the performance of management and exercise independent judgment.

The current members of the Board and their skills, experience, expertise, qualifications, term of office, relationships affecting independence, their independent status and membership of committees are set out in the Directors' Report under the heading ''Information on directors''.

At the date of this report, the Board consists of 3 Directors (a majority of which are Independent Directors), comprising:

- 2 independent non-executive directors; and
- 1 non-independent non-executive director.

The Board comprises the following directors (as at 26 September 2014):

Name	Position	First Appointed
Mr J L C McInnes	Chairman, non-executive Director and independent.	1 October 2008
Mr A P Whittle	Non-executive Director and independent	9 August 2011
Mr D J Lindh	Non-executive Director	25 November 2011

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Independence of Directors

All directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

The independence of each of the Non-Executive Directors is reviewed, at least annually.

In assessing the independence of Directors, the Board has regard to the provisions of the ASX Corporate Governance Council, *'Corporate Governance Principles and Recommendations*' (2nd ed).

The Company defines an independent Director as a non-executive director (i.e. not a member of management) who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of his or her unfettered and independent judgment and ability to act in the best interests of the Company.

In assessing each Director's independence the Board will consider the effect of a Director's business and other relationships and interests from the perspective of both the Company and the Director.

The Board may determine that a Director is independent notwithstanding the existence of a relationship of the kind referred to above.

Board members

It is considered that all Non-Executive Directors are independent except Mr D J Lindh for the reasons set out below.

Mr Lindh, a non-executive director, is a non-executive director and Chairman of Adelaide Equity Ltd which is an advisor to the Company. Accordingly, he is not considered to be an independent Director.

Appointment & re-election of Board members

The Company's Board Charter provides that in selecting new members for the Board, Directors shall have regard to the appropriate skills and characteristics needed by the Board as a whole and that Directors shall endeavour to appoint individuals who would provide the mix of characteristics and diverse experiences, perspectives and skills appropriate for the Company.

Term of office

The Company's constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election.

Role of the Chairman

The roles of the Chairman and Chief Executive Officer are separate and the Chairman is a non-executive Director.

The role of the Chairman includes being responsible for managing the Board effectively, providing leadership to the Board and being the interface with the Chief Executive Officer.

The Chairman has the authority to act and speak for the Board and liaise with the Company's stakeholders between meetings, subject to any agreed consultation processes.

Role of the Chief Executive Officer

The Chief Executive Officer has responsibility for the day-to-day management of the Company, providing leadership and managing and overseeing the interfaces between the Company and the public and to act as the principal representative for the Company.

The Chief Executive Officer must report annually to the Board on succession planning and management development.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Induction

The induction provided to new directors and senior managers enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the Board and senior executives and the Company's meeting arrangements.

Board Meetings

Meeting and proceedings of the Board are governed by the relevant provisions of the Company's Constitution.

The Company's Board Charter also provides:

- The Directors shall hold at least six meetings in each calendar year.
- The agenda for meetings is drawn up with input from the Chairman, the Chief Executive Officer and senior executives. Directors are free to nominate matters for inclusion on the agenda for each meeting.
- Material for Board meetings is circulated to the directors in advance.
- All members of the Board are expected to attend each meeting, in person.
- The Board may invite such persons as it wishes to attend its meetings.
- The Board may conduct meetings by telephone or internet conferencing.
- Circular resolutions which have been approved must be noted at the Board meeting immediately following their approval.

The number of Board and Board Committee meetings held during the year and attendance by Directors is set on page 10 of this report.

Director conduct

When exercising their powers and responsibilities as Directors, and when acting as a representative of the Company, Directors are expected to comply with all relevant laws and regulations and abide by the Company's Code of Conduct.

A copy of the Company's 'Code of Conduct' is made publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

Conflict and declaration of interests

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflicts of interests.

The Corporations Act 2001 and the Company's Constitution requires Directors to disclose any conflicts of interest and, in certain circumstances, to abstain from participating in any discussion or voting on matters in which they have a material personal interest.

It is expected that Directors will be sensitive to actual and perceived conflicts of interest that may arise and it is something to which they are expected to give ongoing consideration.

Entities connected with the directors that had business dealings with the Company during the year, are described in Note 24 to the financial statements. In accordance with the Board Charter, the directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions. In addition, those directors did not receive any papers from the Company pertaining to those dealings.

Independent professional advice

The Board and individual directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance of the Board, its Committees and individual Directors

The Company's Board Charter provides that the 'The Board will conduct a review of its performance relative to this charter annually, and the Chairman will review the performance of each Director annually.'The process for evaluation of performance of the Board, Board Committees and individual Directors involves:

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board and Board Committees
The evaluation of the Board performance involves a self assessment by the Board at the end of the year. Because of the size of the Board and the Company all Members of the Board are Members of the Board Committees and this self assessment process incorporates the performance of Board Committees.

Directors
Assessment of individual Directors' performance is a process determined by the Chairman and involves the Chairman having an annual interview with each of the Directors.

During the reporting period, a performance evaluation of the Board, its Committees and Directors has taken place in accordance with this process.

Board Committees

The Board has established the following Board Committee to assist it in the discharge of its responsibilities:

- Audit Committee.

The Audit Committee operates under a formal charter that is made publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au. An outline of the responsibilities of the Audit Committee is also contained within this Statement.

Nomination committee

Given the Company's size, limited activities and limited financial resources, the Board has not established a Nomination Committee.

Issues relating to developing criteria for Board membership, identifying specific individuals for nomination and establishing processes for the review of the performance of individual directors and the Board as a whole is undertaken by the Board.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors, officers and employees of the Company.

The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that at all times all Company personnel maintain high standards of honesty and responsibility and enhance thee Company's reputation for fair and responsible dealing.

The Code is documented and made publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

Restrictions on dealing in securities

The Company has a Share Trading Policy which outlines the restrictions, closed periods and processes required when directors, Chief Executive Officer and key management personnel trade Company securities.

The Share Trading Policy is documented and made publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

Approach to Diversity

The Company has established a Diversity Policy which is publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

The policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

While the Board is committed to the objectives of the Diversity Policy it has determined that because of the size of the company and the small number of Directors and employees, it is not appropriate to set measurable objectives for gender diversity, at this stage of the Company's development.

The proportion of women employees in the Company, women in senior executive positions and women on the Board are:

Management Levels	Percentage held by Women
Company	33%
Senior Executives	50%
Board	0%

Principle 4: Safeguard integrity in financial reporting

The Audit Committee consists of the following non-executive directors:

Mr Lindh (Non-Independent) - Chairman
Mr McInnes (Independent)
Mr Whittle (Independent)

Mr D Lindh is Chair of the Audit Committee. Although he is a non-independent Director, he has considerable management & business experience and is the most appropriate person on the Board for this role. The Board considers that given the size of the Company and the relevant experience of Board Members, it is not necessary for the Audit Committee to be chaired by an independent Chairman.

Details of these directors' qualifications, the number of meetings of the Audit Committee held and Director's attendance at these meetings are detailed in the Directors' report on page 10.

The Audit Committee operates in accordance with a charter which is publicly available in the Corporate Governance section of the Company's website at www.bassoil.com.au.

Membership

The members of the Committee shall be members of, and appointed by, the Board of directors and shall comprise at least two directors that have diverse, complementary backgrounds, and are independent of management and the Company.

In addition, the Committee chair shall have leadership experience and a strong finance, accounting and/or business background.

All Committee members shall be financially literate, or become financially literate within a reasonable period of time after appointment. At least one member shall have accounting and/or related financial management expertise as determined by the Board of directors.

The responsibilities of the Committee include:

- Understanding the business;
- Financial Reporting - review and approve the half-year and annual financial report;
- Assessment of accounting, financial and internal controls;
- Appointment of external auditor;
- Review and assess the independence of the external auditor;
- Discuss with the auditors, the overall scope of the audit;
- Monitor corporate governance functions; and
- Review and discuss communications with the market and shareholders.

In fulfilling its responsibilities, the Audit Committee will:

- Maintain free and open communication between the committee, auditors, and management of the Company.
- Investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company.
- Ensure it understands the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment'
- Take appropriate actions to set the overall corporate 'tone' for quality financial reporting, sound business risk practices, and ethical behaviour.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- Meet separately and periodically with management and the auditor to discuss issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement; and
- Receive regular reports from the auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence.

The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

EY was appointed as the external auditor in 2001. It is EY's policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced for the year ended 30 June 2011.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is disclosed in Note 7 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Written Affirmations

The Board has received from the Chief Executive Officer and the Chief Financial Officer written affirmations concerning the Company's financial statements as set out in the Directors' Declaration on page 17.

Principle 5 – Make Timely and Balanced Disclosure

The Board has established procedures designed to ensure compliance with the ASX Listing Rule requirements such that:

- All investors have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way.

The Company Secretary and the Chief Executive Officer are responsible for communications with the ASX. The Chairman or a member of the Audit Committee authorises all disclosures necessary to ensure compliance with ASX Listing Rules.

Principle 6 - Respect the Rights of Shareholders

The Board has established a process for communicating with shareholders by:

- Using the Company's website to promote and to facilitate shareholder communications;
- Encouraging shareholder participation in meetings including using Corporate Governance Council guidelines for meetings and notices, and placing all shareholder related information and Company ASX announcements promptly onto the website in an accessible manner; and
- Encouraging shareholders to attend the annual general meeting, and providing adequate time, to question the Directors about the Company's governance and business, and the auditor about the conduct of the audit and the content of the audit report.

The Company's website www.bassoil.com.au currently carries the following information for Shareholders:

- All market announcements and related information which is posted immediately after release to the ASX;
- Details relating to the Company's Directors and Senior Management; and
- Board and Board Committee charters and other corporate governance documents.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 7: Recognise and manage risk

The Board is responsible for overseeing the effectiveness of risk management so as to:

- Identify, assess, monitor and manage risk; and
- Inform investors of the nature of and material changes to the Company's risk profile.

Given the size of Bass Strait Oil, the Board of Directors does not consider it appropriate to have separate risk management and control systems designed by management which are reported to the Board of Directors.

The inherent nature of petroleum exploration is high-risk with no certainty of success. However, the Company takes all prudent analytical and planning steps to control risk. Apart from the geological risk, material business risks include those of a financial, operational, environmental technological nature. Existing policies and procedures for risk oversight are considered by the Board to be adequate at this stage of the Company's development.

At each major milestone of exploration projects, specific risk oversight and management policies will be developed consistent with activities at that time.

The Board has received assurances from the Chief Executive Officer, Company Secretary and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control that, in all material respects, mitigates financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

Given the Company's size, limited activities and limited financial resources, the Board has not established a Remuneration committee. Issues relating to remuneration, recruitment, retention and termination policies and procedures applicable to senior executives and directors and also the selection and appointment practices of the Company are undertaken by the Board.

Remuneration arrangements

Board and Non-executive Director
The remuneration policy for the Board and the remuneration of each director is set out in both the Remuneration Report which forms part of the Directors' report and in Note 24 in the Financial Report.

Senior Executives
Information on the performance evaluation and structure of remuneration for the Company's senior executives can be found in the Remuneration Report, which forms part of the Directors' report.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	2013 $
Management services arising as operator of petroleum exploration joint arrangements		32,533	179,924
Revenue		32,533	179,924
Other income			
Interest		46,677	115,158
Total Income		79,210	295,082
Administrative expenses	4	(823,769)	(1,580,903)
Depreciation and amortisation	5	(13,835)	(136,819)
Employee benefits expense	6	(582,445)	(409,459)
Exploration expenditure incurred		(72)	(6,990)
Exploration costs impaired and written off	14	(1,721,045)	(1,751,280)
Loss before income tax		(3,061,956)	(3,590,369)
Income tax expense	8	(30,037)	(50,801)
Net loss for the period		(3,091,993)	(3,641,170)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		(3,091,993)	(3,641,170)
Basic (loss)/earnings per share	22	($0.006)	($0.007)
Diluted (loss)/earnings per share	22	($0.006)	($0.007)

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $	Consolidated 2013 $
ASSETS			
Current assets			
Cash and cash equivalents	9	712,654	2,297,404
Trade and other receivables	10	8,288	12,449
Other current assets	11	24,753	41,348
Total current assets		745,695	2,351,201
Non-current assets			
Plant and equipment	12	15,179	29,505
Intangible assets	13	-	1,000
Exploration and evaluation expenditure	14	3,798,518	5,217,257
Total non-current assets		3,813,697	5,247,762
TOTAL ASSETS		4,559,392	7,598,963
LIABILITIES			
Current liabilities			
Trade and other payables	16	153,790	110,122
Provisions	17	-	14,692
Total current liabilities		153,790	124,814
Non-current liabilities			
Other payables		1,846	8,437
Total non-current liabilities		1,846	8,437
TOTAL LIABILITIES		155,636	133,251
NET ASSETS		**4,403,756**	**7,465,712**
EQUITY			
Contributed equity	19	30,943,080	30,913,043
Accumulated losses	20	(26,616,715)	(23,524,722)
Share-based payments reserve	21	77,391	77,391
TOTAL EQUITY		**4,403,756**	**7,465,712**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated			
	Note	Contributed equity $	Accumulated losses $	Share-based payments $	Total $
At 1 July 2013		30,913,043	(23,524,722)	77,391	7,465,712
Net loss for the period		-	(3,091,993)	-	(3,091,993)
Total comprehensive income for the period		-	(3,091,993)	-	(3,091,993)
Transactions with owners in their capacity as owners:					
Income tax on items recognised directly in equity	8	30,037	-	-	30,037
At 30 June 2014		30,943,080	(26,616,715)	77,391	4,403,756
At 1 July 2012		29,108,708	(19,883,552)	77,391	9,302,547
Net loss for the period		-	(3,641,170)	-	(3,641,170)
Total comprehensive income for the period		-	(3,641,170)	-	(3,641,170)
Transactions with owners in their capacity as owners:					
Shares issued	19	1,953,692	-	-	1,953,692
Transaction costs on share issues	19	(200,158)	-	-	(200,158)
Income tax on items recognised directly in equity	8	50,801	-	-	50,801
At 30 June 2013		30,913,043	(23,524,722)	77,391	7,465,712

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	Consolidated 2013 $
Cash flows from operating activities			
Receipts from customers		30,544	699,425
Payments to suppliers and employees inclusive of GST		(1,368,869)	(1,997,979)
Interest received		55,881	108,906
Net cash flows used in operating activities	29	(1,282,444)	(1,189,648)
Cash flows from investing activities			
Deposit received for petroleum exploration permits		30,000	-
Purchase of fixed assets		-	(4,505)
Petroleum exploration expenditure		(332,306)	(377,080)
Net cash flows used in investing activities		(302,306)	(381,585)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,953,692
Transaction costs on issue of shares		-	(200,158)
Net cash flows from financing activities		-	1,753,534
Net increase/(decrease) in cash and cash equivalents		(1,584,750)	182,301
Cash and cash equivalents at the beginning of the period		2,297,404	2,115,103
Cash and cash equivalents at the end of the period	9	**712,654**	**2,297,404**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 1. Corporate Information

The financial report of Bass Strait Oil Company Ltd (the Group, being the Company and its controlled entity) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on xx September 2014.

Bass Strait Oil Company Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are oil and gas exploration.

Note 2. Summary of Significant Accounting Policies

Basis of Preparation

The financial report is a general-purpose financial report of a 'for-profit' entity which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an historical cost basis.

The financial report is presented in Australian dollars.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures.
The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013.

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)

The adoption of the standards or interpretations is described below:

Note 2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of the standard	Impact on Group financial report	Application date for Group
AASB 10	Consolidated Financial statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7 and AASB 2012-10.	1 January 2013	The Group's existing recognition of control did not change with the adoption of this accounting standard.	1 July 2013
AASB 11	Joint arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. Amendments made by the IASB in May 2014 add guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.	1 January 2013	The Group has several joint arrangements currently in place. As such the group recognises its' interest in the joint operations for assets, liabilities, revenues from sale of outputs and expenses incurred. There was no impact from the application of this standard as the treatment is consistent with the Group's previous practice.	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of the standard	Impact on Group financial report	Application date for Group
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	These disclosures will enable users of the Group's consolidated financial statements to further evaluate any restrictions on the ability of the Group to use assets, the nature and change of any risks. These disclosures do not have a financial impact upon the financial statements.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	The Group currently utilises fair value measures which are dependent upon the relevant asset. Application of AASB 13 has not materially impacted the fair value measurements of the Group.	1 July 2013
AASB 119	Employee Benefits	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	The application of this standard has not resulted in any significant change in the 2014 financial year end accounts.	1 July 2013

Note 2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of the standard	Impact on Group financial report	Application date for Group
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	This amendment principally amends AASB 7 Financial instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	Currently the Group does not offset any financial assets against financial liabilities. No further disclosures have been made.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	The Group has removed the KMP disclosures for equity holdings and other related party transactions from Note 24.	1 July 2013

Other new and amended Australian Accounting Standards and AASB interpretations were not relevant to the Group.

- AASB 1031 Materiality
- AASB 1053 Application of Tiers of Australian Accounting Standards; and
- AASB 2013-9 Amendment to Australian Accounting Standards: Conceptual framework, materiality and financial instruments

(ii) Accounting Standards and Interpretations issued but not yet effective
The accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group and for which the Group has elected not to early adopt for the annual reporting period ending 30 June 2014, are outlined in the table following:

Note 2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of the standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income ► The remaining change is presented in profit or loss Consequential amendments were also made to other standards as a result of AASB-9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.	1 January 2018	The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of the standard	Impact on Group financial report	Application date for Group
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 Jan 2014	Adoption of this Standard is not expected to have a material effect on the financial position or performance of the Group however the position will be further reviewed during FY2014-2015.	1 July 2014
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ►IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ►IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination. ►IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. ►IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique. ►IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity.	1 July 2014	Adoption of this Standard is not expected to have a material effect on the financial position or performance of the Group however the position will be further reviewed during FY2014-2015.	1 July 2014
IFRS 15	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Early application of this standard is permitted.	1 January 2017	Adoption of this Standard is not expected to have a material effect on the financial position or performance of the Group however the position will be further reviewed during FY2014-2015.	1 July 2017

Note 2. Summary of Significant Accounting Policies (continued)

(c) Going concern

The financial report has been prepared on a going concern basis, which assumes that the Company and 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 25.

At 30 June 2014, the Group had cash reserves of $712,654 and exploration permit work commitments with associated indicative costings as set out in Note 25. In order to meet these exploration commitments, and continue to pay its debts as and when they fall due and payable, the Group expects to complete the sale of onshore permits, which remain subject to Government approval. The Group also expects the extension for the Vic/P41 permit obligations, as applied for to the National Offshore Petroleum Titles Administrator on 23 July 2014 to be granted. The Group will also rely on taking appropriate steps, including:

- Meeting its additional obligations by either farmout 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.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Bass Strait Oil Company Ltd and its subsidiary as at 30 June each year (the Group).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Bass Strait Oil Company Ltd are accounted for at cost by the parent entity less any impairment charges.

(e) Foreign currency translation

(i) Functional and presentation currency
Both the functional and presentation currency of Bass Strait Oil Company Ltd and it's subsidiary is Australian dollars ($).

Note 2. Summary of Significant Accounting Policies (continued)

(e) Foreign currency translation (continued)

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates applicable at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short term deposits with an original maturity of three months or less that are readily convertible to known cash amounts of cash which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Trade and other receivables

Trade and other receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost less an allowance for impairment.

An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held to maturity financial assets or available for sale financial assets. The classification depends on the purpose for which the assets were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transactions costs.

Recognition and Derecognition

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all of the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the asset.

(i) Joint arrangements

Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to assets, and obligations for the liabilities of the joint arrangement. Joint control is the contractual agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for its share of the joint operation assets, and liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint operation's output, together with its share of the expenses incurred by the joint operation, and any expenses it incurs in relation to its interest in the joint operation.

Note 2. Summary of Significant Accounting Policies (continued)

(j) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:
Office furniture and equipment – over 3 to 10 years
Leasehold improvements – up to 3 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year end. Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

Derecognition
An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(k) Leases

The determination of whether an arrangement is or contains a lease is based on substance of the arrangement and requires assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(l) Impairment of non-financial assets other than indefinite life intangibles

Non-financial assets other than indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess any indicators for impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an assets fair value less costs of disposal and value in use. Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(m) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised exploration and evaluation costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Note 2. Summary of Significant Accounting Policies (continued)

(m) Intangibles (continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(n) Exploration and evaluation expenditure

Exploration and evaluation expenditure is carried forward separately for each area of interest provided that the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relating to, the area of interest are continuing.

The carrying value of capitalised exploration and evaluation expenditure is assessed 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.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

Farmouts
The Group will account for farm-out arrangements as follows:

- The Group will not record any expenditure by the farminee on the Group's behalf;
- The Group will not recognise a gain or loss on the farm-out arrangement but rather will redesignate any costs previously capitalised in relation to the whole interest as relating to the partial interest retained; and
- Any cash consideration to be received will be credited against costs previously capitalised in relation to the whole interest with any excess to be accounted for by the Group as gain on disposal.

(o) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee leave benefits
(i) Short term benefits
Liabilities for salaries, including non-monetary benefits and certain annual leave benefits expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Note 2. Summary of Significant Accounting Policies (continued)

(p) Provisions and employee benefits (continued)

(ii) Long term benefits
The liability for long service leave and certain annual benefits is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash flows.

(q) Share-based payment transactions

Equity settled transactions:
The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place to provide these benefits:

- The Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in Note 23. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Bass Strait Oil Company Ltd (market conditions), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of:
(i) the grant date fair value of the award;
(ii) the current best estimate of the number of awards that will vest; and
(iii) the expired portion of the vesting period.
The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

If an equity award is cancelled, it is treated as if it had vested on the day of cancellation, and any expense not yet recognised for the award is recognised immediately. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 22).

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services
Where either the contract outcome or control of the right to be compensated for the services and the stage of completion can be reliably measured, revenue is recognised by reference to the stage of completion of the contract or contracts in progress at balance date or at the time of completion and billing to the customer.

Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours.

Note 2. Summary of Significant Accounting Policies (continued)

(s) Revenue recognition (continued)

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Royalty income
Royalty revenue is recognised on a quarterly basis in accordance with the royalty agreement. The Group has received only minimal royalty amounts to date. Refer to Note 13 for further details.

Interest income
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government Grants
Government grants are recognised when there is reasonable assurance that the grant will be received and all conditions attached will be compiled with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

(t) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Note 2. Summary of Significant Accounting Policies (continued)

(t) Income tax and other taxes (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Earnings per share

Basic earnings per share is calculated as net profit/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of interest associated with dilutive potential ordinary shares that have been recognised as expenses; and/or
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares and adjusted for any bonus element.

(v) 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:

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by an external valuer using a binomial option pricing model, and using the assumptions detailed in Note 23.

Exploration and evaluation costs
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 30 June 2014 exploration activities in each area of interest where amounts remain capitalised have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each of those areas of interest are planned and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved.

In the event where ongoing committed activities cannot be funded by existing financial resources, the Group will either need to raise additional capital, or meet its obligations either by farm-out or partial sale of the company's exploration interests, or subject to negotiation and approval, vary the minimum work requirements. The Directors are continually monitoring those areas of interest and are exploring alternatives for funding the development of those areas of interest when economically recoverable reserves are confirmed. If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time. Refer to Note 14 for details of exploration and evaluation costs written off during the period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Note 3. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by the Company's and the Group's policies approved by the Board, which provide written principles on the use of financial derivatives.

The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate risks and foreign exchange rates.

Credit risk

Credit risk arises from financial assets of the Group, which comprise cash and cash equivalents, and trade & other receivables.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of any collateral or other security obtained.

It is the Group's policy that all parties who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are assessed for each individual party and are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result being that the Group's exposure to bad debts is not significant. Currently there are no receivables that are impaired or past due but not impaired.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk framework for the management of the Group's short, medium and longer term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities through monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities.

Note 3. Financial Risk Management Objectives and Policies (continued)

Adequacy and availability of funding will, for the immediate future remain a substantial issue for the Group and its Shareholders. The Group will, from time to time, likely need to raise additional capital to implement and complete its business plans and meet all work and planned and unexpected expenditure commitments on its permits. In the unlikely event that work program commitments can not be met, permits if not surrendered, can be cancelled by the relevant authorities.

The only financial liabilities are trade and other payables. At 30 June 2014, the Group had $110,122 (2013: $98,855) in trade and other payables. Trade payables are non-interest bearing and have a contractual maturity of less than 30 days.

Market risk

Market risk is that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of it's holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group has no material exposure to market risk.

Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group.

The majority of the Group's cash flow is denominated in AUD and, as a result, the Group's exposure to foreign currency risk is minimal.

The carrying amount of the Group's foreign currency denominated financial assets and liabilities at the reporting date are $nil (2013: nil).

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash (refer to Note 9).

		Consolidated
	2014	**2013**
	$	$
Assets		
Cash and cash equivalents	712,654	2,297,404
	712,654	2,297,404

The following table demonstrates the estimated sensitivity to a 1% increase and decrease in the interest rate, where all other variables are held constant. Reasonably possible movements in interest rates were determined based on a review of historical movements. The sensitivity is based on the interest rate exposures in existence as at balance date.

		Consolidated
	2014	**2013**
	$	$
Judgements of reasonably possible movements		
Impact on post tax profit		
+1% (100 basis points)	7,126	22,974
-1% (100 basis points)	(7,126)	(22,974)

There is no impact on equity other than the impact of the above post tax profit sensitivities would have on accumulated (losses)/profits.

Note 3. Financial Risk Management Objectives and Policies (continued)

Fair value of financial instruments

The Directors consider that the carrying amount of the financial assets and liabilities recorded in the financial statements approximate their fair values unless otherwise stated.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Capital management

Capital is defined as equity. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders.

The Group will seek to raise further capital, if required, as and when necessary to meet its projected operations. The decision of how the Group will raise future capital will depend on market conditions existing at that time. It is the Group's plan that this capital will be raised by any one or a combination of the following: placement of shares to excluded offerees, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares to the public. Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the company's intention to meet its obligations by either partial sale of the company's interests or farmout, the latter course of action being part of the company's overall strategy.

The Group is not subject to any externally imposed capital requirements.

Note 4. Administrative expenses

	Note	2014	Consolidated 2013
		$	$
Audit fees	7	69,500	77,500
Consultants fees other		228,699	284,789
Corporate related costs		37,112	45,471
Directors' remuneration		181,152	223,450
Computer costs		31,012	22,805
Exchange losses		-	2,604
Insurance		17,877	16,111
Legal expenses		75,776	623,578
Loss on disposal of assets		326	273
Marketing		-	26,226
Operating lease costs		107,058	100,111
Other expenses		40,231	48,644
Printing & stationery		8,473	5,006
Recruitment		-	79,505
Travel		26,553	24,830
		823,769	1,580,903

Note 5. Depreciation and amortisation

	Note	Consolidated 2014 $	2013 $
Depreciation	12	12,835	13,568
Impairment of intangibles	13	1,000	123,251
		13,835	136,819

Note 6. Employee benefits expense

	Note	Consolidated 2014 $	2013 $
Wages and salaries		458,183	332,291
Superannuation		61,344	33,419
Workers compensation		4,964	1,103
Payroll tax		14,931	11,220
Annual leave		43,023	31,426
		582,445	409,459

These Employee benefits are in the statement of comprehensive income. Additionally employee benefits of $61,860 (2013: $142,351) have been included in deferred exploration costs.

Note 7. Auditor's Remuneration

The auditor of Bass Strait Oil Company Ltd is EY

	Note	Consolidated 2014 $	2013 $
Amounts received or due and receivable by EY for:			
An audit or review of the financial report of the entity and any other entity in the consolidated group	4	69,500	77,500
Tax compliance services for the group		-	35,500
		69,500	113,000

Note 8. Income Tax

The major components of income tax expense are:

	Consolidated 2014 $	2013 $
Statement of Comprehensive Income		
Current income tax expense/(benefit)	459,922	489,259
Deferred income tax expense/(benefit)	(429,885)	(438,458)
Income tax expense/(benefit) reported in the statement of comprehensive income	30,037	50,801
Statement of Changes in Equity		
Share issue costs	(30,037)	(50,801)
Income tax benefit reported directly in Equity	(30,037)	(50,801)

Note 8. Income Tax (continued)

	Consolidated 2014 $	Consolidated 2013 $
Tax reconciliation		
A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(3,061,956)	(3,590,369)
At the Group's statutory income tax rate of 30% (2013: 30%)	(918,587)	(1,077,111)
Non-deductible expenditure:		
Loss on disposal of assets	98	82
Exploration expenditure written off	516,314	485,072
Tax losses not brought to account	432,212	642,758
Income tax expense recognised in the statement of comprehensive income	30,037	50,801

	Statement of Financial Position 2014 $	Statement of Financial Position 2013 $	Statement of Comprehensive Income 2014 $	Statement of Comprehensive Income 2013 $
Deferred Income Tax				
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax liabilities				
Exploration and evaluation costs	(1,139,555)	(1,565,177)	(425,622)	(410,986)
Intangible assets	-	(300)	(300)	(36,975)
Accrued revenue	(2,681)	(2,084)	597	(1,427)
Prepayments	(4,745)	(10,320)	(5,575)	3,819
Accrued interest	(273)	(3,034)	(2,761)	1,876
Gross deferred income tax liabilities	(1,147,254)	(1,580,915)		
Deferred tax assets				
Accruals	12,000	11,700	(300)	510
Provisions	-	4,408	4,408	2,809
Other	418	12	(406)	1,916
Share issue costs	30,038	50,801	-	-
Tax losses recognised to offset net deferred tax liability	1,104,798	1,513,994	459,996	489,259
Gross deferred income tax assets	1,147,254	1,580,915		
Net deferred tax asset/(liability)	-	-		
Deferred income tax (benefit)/expense			30,037	50,801

Tax losses

The Group has unrecognised gross income tax losses arising in Australia of $29,203,493 (2013: $26,398,803) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose other than to offset recognised deferred tax liabilities. The unused tax losses will not be recognised as deferred income tax assets until it is probable that taxable profits will be available to utilise those losses subject to continuing to meet statutory tests. In addition, the Group has unrecognised gross capital tax losses for which no deferred tax asset is recognised in the statement of financial position of $774,000 (2013: $774,000) and are available indefinitely for offset against future capital gains of a similar nature subject to continuing to meet statutory tests.

Note 9. Cash and Cash Equivalents

	Consolidated	
	2014	**2013**
	$	$
Cash at bank and in hand	160,013	291,512
Bank term deposits	552,641	2,005,892
	712,654	2,297,404

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Bank term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates.

The fair value of cash and cash equivalents is $712,564 (2013: $2,297,404).

The Group has no undrawn borrowing facilities (2013: Nil).

Note 10. Trade and Other Receivables

	Consolidated	
	2014	**2013**
	$	$
Other receivables	2,878	10,112
Goods and services tax and withholding tax refunds	5,410	2,337
	8,288	12,449

At balance date, there are no receivables that are past due but not impaired. Due to the short-term nature of these receivables, their carrying value approximates fair value. Trade receivables are non-interest bearing and are generally on 30 day terms. Details regarding the credit risk of receivables are disclosed in Note 3.

Note 11. Other Current Assets

	Consolidated	
	2014	**2013**
	$	$
Prepayments	15,816	34,401
Accrued revenue	8,937	6,947
	24,753	41,348

Note 12. Plant and Equipment

	Note	Consolidated 2014 $	2013 $
Computer software			
Cost		173,227	173,227
Accumulated depreciation and impairment		(173,227)	(173,227)
Net carrying amount		-	-
Office equipment, furniture and fittings			
Opening balance, net of accumulated depreciation and impairment		29,505	38,525
Additions		-	4,505
Disposals		(326)	(273)
Depreciation charge for the year		(12,835)	(10,056)
Depreciation charge for the year – deferred exploration costs		(1,165)	(3,196)
Closing balance, net of accumulated depreciation and impairment		15,179	29,505
Cost		85,251	87,939
Accumulated depreciation and impairment		(70,072)	(58,434)
Net carrying amount		15,179	29,505
Leasehold improvements			
Opening balance, net of accumulated depreciation and impairment		-	4,564
Depreciation charge for the year		-	(3,512)
Depreciation charge for the year – deferred exploration costs		-	(1,052)
Closing balance, net of accumulated depreciation and impairment		-	-
Cost		68,475	68,475
Accumulated depreciation and impairment		(68,475)	(68,475)
Net carrying amount		-	-
Total			
Opening balance, net of accumulated depreciation and impairment		29,505	43,089
Additions		-	4,505
Disposals		(326)	(273)
Depreciation charge for the year	5	(12,835)	(13,568)
Depreciation charge for the year – deferred exploration costs		(1,165)	(4,248)
Closing balance, net of accumulated depreciation and impairment		15,179	29,505
Cost		326,953	329,641
Accumulated depreciation and impairment		(311,774)	(300,136)
Net carrying amount		15,179	29,505

Note 13. Intangible Assets

	Note	2014 $	Consolidated 2013 $
Yolla Royalty			
Opening balance, net of accumulated amortisation and impairment		1,000	124,251
Impairment	5	(1,000)	(123,251)
Closing balance, net of accumulated amortisation and impairment		-	1,000
Cost (gross carrying amount)		475,923	475,923
Accumulated amortisation and impairment		(475,923)	(474,923)
Net carrying amount		-	1,000

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.

Judgement is required in determining the extent of future economic benefits to be derived from the Yolla Royalty. Under AASB 136 *Impairment of Assets*, the receipt of lower than expected royalty amounts received to date is an indicator of impairment. Due to the length of time it is taking to resolve this matter, the Directors felt it prudent to impair the carrying value of the asset fully. If the dispute is resolved in favour of the Group, the impairments recognised to date may be reversed.

Note 14. Exploration and Evaluation Costs

	2014 $	Consolidated 2013 $
Petroleum tenements in the exploration phase		
Balance at the beginning of year	5,217,257	6,587,209
Cost capitalised for the year	302,306	381,328
Exploration costs impaired and written off	(1,721,045)	(1,751,280)
Balance at the end of year	3,798,518	5,217,257
Petroleum tenements in the exploration phase		
Cost (gross carrying amount)	25,439,025	25,136,719
Impairment and write offs	(21,640,507)	(19,919,462)
Net carrying amount	3,798,518	5,217,257

The net carrying amount of exploration and evaluation costs is represented by Vic/P41 $3,637,719 (2013: $3,398,154), Vic/P42 $nil (2013: 1,679,809), Vic/P68 $95,773 (2013: $73,044), PEP 167 $43,446 (2013: $42,228), PEP 175 $20,297 (2013: $24,022) and other $1,283 (2013: $73,044).

On 11 July 2014 the Group announced that it had entered into an agreement with Lakes Oil NL for the sale of it's equity in onshore exploration permits PEP 167 and PEP 175, which has received regulatory approval. Under the terms of the sale Lakes will acquire 100% equity in PEP 167 and PEP 175 and will be responsible for the ongoing work programme in return for a cash payment to the Group of $300,000 which is consideration for past expenditure. The cash payment of $255,000 (net of deposit already received and costs) was received on 26 September 2014.

Note 14. Exploration and Evaluation Costs (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 30 June 2014 exploration activities in each area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each area of interest are planned, and in particular we expect that the National Offshore Petroleum Titles Administrator will grant an extension in Vic/P41 to allow further studies to be completed prior to committing to a well. Nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved.

In the event where ongoing committed activities cannot be funded by existing financial resources, the Group will either need to raise additional capital, or meet its obligations either by farm-out or partial sale of the company's exploration interests, or subject to negotiation and approval, vary the minimum work requirements. The Directors are continually monitoring the areas of interest and are exploring 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, the amounts capitalised will need to be reassessed at that time.

Costs of $1,721,490 associated with Vic/P42 have been written off. The permit had an optional work programme requirement to drill one (1) exploration well in permit Year 5 which the Group was unable to fund and was unable to attract a farminee willing to fund the well, so the permit was relinquished.

In the previous year, costs of $1,589,251 associated with Vic/P47, which had a well commitment in the following year, costs of $57,756 associated with the initial planning of 3D seismic in Vic/P41 and costs of $104,273 associated with Vic/P66, which was surrendered, were written off.

Commitments and tenure of each permit are included in Note 25.

Note 15. Investments in Controlled Entities

BSOC Business Services Pty Ltd, is a non-operating subsidiary, which is 100% owned and incorporated in Australia.

Note 16. Trade and Other Payables

		Consolidated
	2014	**2013**
	$	$
Trade payables	27,189	14,040
Other payables	126,601	96,082
	153,790	110,122

Note 17. Provisions

		Consolidated
	2014	**2013**
	$	$
Provision for annual leave	-	14,692
	-	14,692

Note 18. Joint Arrangements

The Group has interests in a number of joint arrangements which are classified as joint operations. These joint operations are involved in the exploration and development of petroleum in Australia. The Group has the following interests in joint arrangements

	Interest 2014	Interest 2013
(i) Joint arrangements in which Bass Strait Oil Company Ltd is the operator		
Vic/P41	64.6%	64.6%
Vic/P47	-	40%
Vic/P66	-	60%
(ii) Joint arrangements in which Bass Strait Oil Company Ltd is not the operator		
PEP 150	15%	15%

Refer to Note 14 for financial interests in permits.

Note 19. Contributed Equity

			Consolidated	
	2014 Shares	2013 Shares	2014 $	2013 $
Issued and paid up capital				
Ordinary shares fully paid	518,285,747	518,285,747	30,913,043	30,913,043
Movements in ordinary shares on issue				
Ordinary shares on issue at beginning of period	518,285,747	388,039,613	30,913,043	29,108,708
Ordinary shares issued during period	-	130,246,134	-	1,953,692
Transaction costs	-	-	-	(200,158)
Deferred Tax asset on share issue costs	-	-	30,037	50,801
	518,285,747	518,285,747	30,943,080	30,913,043

(i) Terms and Conditions of Contributed Equity
Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(ii) Other Remuneration Options
On 14 October 2011, 10,000,000 options with an exercise price of 4 cents each and expiring on 14 October 2014 were granted under the Underwriting Agreement in association with the October 2011 capital raising.

Note 20. Accumulated (Losses)/Profits

	Consolidated 2014 $	2013 $
Balance at beginning of period	(23,524,722)	(19,883,552)
Net (loss)	(3,091,993)	(3,641,170)
Balance at end of period	(26,616,715)	(23,524,722)

Note 21. Reserves

	Consolidated 2014 $	2013 $
Share-based payments reserve	77,391	77,391

Share-based payments related to equity raising is used to record options issued as part of the remuneration paid to the underwriters for the capital raising. Refer to Note 23 for further details of these share-based payments.

Note 22. Earnings per Share

The following reflects the income used in the basic and diluted earnings per share computations.

	Consolidated 2014 $	2013 $
Net loss attributable to ordinary equity shareholders of the parent	(3,091,993)	(3,641,170)

Weighted average number of ordinary shares:

	2014 Number	2013 Number
Issued ordinary shares at 1 July	518,285,747	388,039,613
Effect of shares issued August 2012	-	49,430,431
Effect of shares issued September 2012	-	57,812,205
Weighted average number of ordinary shares at 30 June	518,285,747	495,282,249

Share options have not been included in the diluted earnings per share calculation as they are antidilutive for the periods presented.

Note 23. Share-based Payments

Share options have been granted to the underwriters as part of contractual arrangements related to equity raising. The contractual life of each option granted is up to five years. There are no cash settlement alternatives.

The exercise price of the options is set by the Directors on the date of grant. Presently the plan vests all of the options on the day they are granted.

Note 23. Share-based Payments (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of movements in share options:

	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding at the beginning of year	10,000,000	0.04	12,000,000	0.04
Options granted	-	-	-	-
Options forfeited	-	-	(2,000,000)	(0.04)
Outstanding at the end of the year	10,000,000	0.04	10,000,000	0.04
Exercisable at the end of the year	10,000,000	0.04	10,000,000	0.04

The weighted average remaining contractual life for the share options outstanding at 30 June 2014 is 0.29 years (2013: 1.29 years).

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of the 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 includes an assumption that the options will be exercised and the material assumptions indicated below.

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

Options granted	14-Oct -11
Dividend yield (%)	0.00
Expected volatility (%)	70
Risk free interest rate (%)	3.845
Expected life of option (years)	3
Expiry date	14-Oct-14
Option exercise price ($)	0.04
Weighted average share price at measurement date ($)	0.03

Shares allotted on exercise of options rank pari passu in all respects with other fully paid ordinary shares. Each option entitles the holder to participate in new issues in which shares or other securities are offered to shareholders of the Company upon the prior exercise of the options. The options do not confer the right to dividends or to vote at meetings of members.

Note 24. Key Management Personnel Disclosures

(a) Compensation for key management personnel

	Consolidated 2014 $	Consolidated 2013 $
Short term employee benefits	526,929	678,617
Post-employment benefits	39,698	35,425
	566,627	714,042

Note 25. Commitments

Permit work commitments

Indicative expenditure commitments at balance date (being minimum work requirements under exploration permits for petroleum).

	Consolidated	
	2014	2013
	$	$
Within one year	5,388,000	1,266,000
After one year but not more than five years	9,600,000	16,297,000
	14,988,000	17,563,000

Indicative expenditure commitments include minimum work obligations for the initial 3 year period of exploration permits (and thereafter annually) and obligations arising from farm-in arrangements. The Group is dependent on certain factors to be able to meet these minimum work requirements. These are set out in Note 2(c).

Vic/P41
The permit is in Year 3 of a second term. The Year 1 work programme was for geological and geophysical studies and was completed on time. The Year 2 committed work program consists of 3D seismic reprocessing, fault seal and qualitative interpretation studies is being completed ($288,000). The committed work program for Year 3 consists of geological and geophysical studies ($97,000). On 24 July 2014 the Joint Arrangement applied for a suspension and extension of the Year 3 work program with the National Offshore Petroleum Titles Administrator. The outcome of this application is pending. The Year 4 work program has an optional well commitment, refer Note 31.

Vic/P68
The Year 3 committed work program consists of a 3D seismic survey ($4,500,000). The Company has met all commitments to date.

PEP 167
The second term Year 1 work programme was for geological and geophysical studies and was completed on time. The Year 2 committed work program consists of further geological and geophysical studies ($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). Subsequent to balance date this permit has been sold subject to regulatory approval, refer Note 31.

PEP 175
The Year 1 work programme was for geological and geophysical studies and was completed on time. The Year 2 committed work program consists of seismic reprocessing and preparation ($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). Subsequent to balance date this permit has been sold subject to regulatory approval, refer Note 31.

Non-cancellable operating lease commitments

Future operating lease rentals are not provided for in the financial statements and payable:

	Consolidated	
	2014	2013
	$	$
Within one year	81,883	78,733
After one year but not more than five years	20,669	102,552
	102,552	181,285

Note 26. Parent Entity Disclosures

Information relating to Bass Strait Oil Company Ltd

	2014	Parent 2013
	$	$
Current assets	745,695	2,351,200
Total assets	4,559,392	7,598,963
Current liabilities	153,790	124,814
Total liabilities	155,636	133,251
Net assets	4,403,756	7,465,712
Contributed equity	30,943,080	30,913,043
Accumulated losses	(26,616,715)	(23,524,722)
Share-based payments reserve	77,391	77,391
Total shareholders' equity	4,403,756	7,465,712
Loss of the parent entity	(3,091,993)	(3,641,170)
Total comprehensive income/(loss) of the parent entity	(3,091,993)	(3,641,170)

The parent has permit work commitments of $14,988,000 and non-cancellable operating lease commitments of $102,552. Refer to Note 25 for further details of the liability.

Note 27. Related Party Disclosures

Entity with significant influence over the Group

On 14 February 2014 Cooper Energy Limited acquired further ordinary shares in Bass Strait Oil Company Ltd, and holds 22.9%.

Terms and conditions of transactions with related parties other than KMP

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables. The Group, in a joint arrangement, has engaged Cooper Energy Limited to manage the Vic/P41 3D seismic reprocessing. The Group's share of this is $226,130 and of this $61,341 is outstanding at balance date (2013:$nil).

Note 28. Segment Information

For management purposes there is only one operating segment, which is exploration.

The chief operating decision maker only reviews consolidated financial information. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board.

The Board does not currently receive segment Statement of Financial Position and Statement of Comprehensive Income information. The Board manages each exploration activity of each permit through review and approval of joint venture cash calls, AFE's and other operational information.

The consolidated entity operates in the petroleum exploration industry within Australia.

Note 29. Reconciliation of Cash flows from Operating Activities

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, and short term deposits at call.

Reconciliation of profit after income tax to net cash provided/used in operating activities

		Consolidated
	2014	**2013**
	$	$
Net loss before tax	(3,061,956)	(3,590,369)
Adjustments for:		
Depreciation	12,835	13,568
Impairment of intangibles	1,000	123,251
Loss on disposal of fixed assets	326	273
Write-down in exploration	1,721,045	1,751,280
	(1,326,750)	(1,701,997)
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	4,161	514,743
Decrease/(increase) in prepayments	16,595	(12,733)
Increase/(decrease) in trade and other payables	38,245	19,704
(Decrease)/increase in provisions	(14,695)	(9,365)
Net cash flows used in operating activities	(1,282,444)	(1,189,648)

Note 30. Contingent Liabilities

The Consolidated Entity 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 $54,054 (2013: $54,054).

The current lease occupied by the company is due to expire in September 2015. The Directors have not come to a decision as to whether or not the current office lease will be renewed or not, however in the event the lease is not renewed the company may be liable for certain make good costs.

Note 31. Events after Balance Date

On 11 July 2014 the Group announced that it had entered into an agreement with Lakes Oil NL for the sale of it's equity in onshore exploration permits PEP 167 and PEP 175, which was subject to regulatory approval. Under the terms of the sale Lakes will acquire 100% equity in PEP 167 and PEP 175 and will be responsible for the ongoing work programme in return for a cash payment to the Group of $300,000 which is consideration for past expenditure. The cash payment of $255,000 (net of costs) was received on 26 September 2014.

On 23 July 2014, the Vic/P41 Joint Arrangement applied for a suspension and extension of the Year 3 work program with the National Offshore Petroleum Titles Administrator. At the date of this report, the outcome of this application is pending.

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the members of Bass Strait Oil Company Ltd

Report on the financial report

We have audited the accompanying financial report of Bass Strait Oil Company Ltd, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Bass Strait Oil Company Ltd is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(c) 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 2(c) 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 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.

We also draw attention to Note 14 Exploration and Evaluation Costs which sets out the basis by which the group's exploration permit Vic/P41 is carried at $3,637,719 in the Statement of Financial Position at 30 June 2014, in accordance with the Directors judgments as set out in Note 14. The Directors have formed this judgment on the basis that active and significant operations in relation to Vic/P41 are planned, and in particular the expectation that the National Offshore Petroleum Titles Administrator will grant an extension in Vic/P41 to allow further studies to be completed prior to committing to a well. The active and significant operations are predicated on a farm-out of this exploration permit to a third party to provide funding. Without a farm-out and/or an extension to the permit to allow further studies to be completed prior to committing to a well, the consolidated entity may be required to either relinquish or sell the permit and in such circumstances may not be able to realise the value set out in Note 14 at 30 June 2014.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Bass Strait Oil Company Ltd for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Matthew A. Honey
Partner
Melbourne
29 September 2014

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