

# Bass Strait Oil Company Limited (BAS)



<b>Sector</b> Energy	<b>Industry Group</b> Energy	<b>Industry</b> Oil, Gas & Consumable Fuels	<b>Sub Industry</b> Oil & Gas Exploration & Production
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## Company Overview

BAS is a specialist oil explorer focused on SE Australia. BAS has a highly experienced team with a 10 year history in the region. BAS holds exploration interests in the Gippsland and Bass Basins offshore and the Otway onshore. Extensive 3D seismic in the Gippsland has defined a number of prospects. BAS is free-carried by Apache through Vic/P42 that will spud in early 2008. New Otway permit PEP 167 contains the 1987 Windermere-1 oil discovery and increases BAS permits to about 14,000km<sup>2</sup>.

## Strategy

BAS is focussed on productive SE Australian basins. The acreage position was built over a ten year period with a consistent view that there would be a resurgence of interest in SE Australia. First, prospects are of material scale with strong prospectivity. Modern 3D seismic is available; there is good infrastructure, growing markets and higher prices. BAS typically operates with a large interest in a project. This maximises leverage to success and helps BAS influence the exploration direction.

**Aegis Comments** as at November 2007.

**Outlook:** Apache is expected to drill a farm-in well in Gippsland permit Vic/P42 in early 2008. BAS is free-carried for a 20% interest in the well. In other blocks, BAS will seek further farm-in partners. 2008 – 2009 might be a watershed period with several high-impact holes planned subject to funding. These include wells on targets analogous to the Longtom, Basker/Manta and Kipper fields. New 2D seismic is planned in the Bass Basin and there is a potential onshore oil project in the Otway.

**Catalysts:** Interest in BAS will rise in early 2008 when Apache spuds a hole where BAS has a free-carried 20% interest. The permit is adjacent to Australia's largest oil field. Three rigs are scheduled to drill for a number of operators in the region during 2008 / 09. BAS expects this activity to re-focus attention on the potential of this region for a new discovery and at the same time highlight the potential for BAS's portfolio. New farm-out deals would be catalysts but nothing like a significant find.

**Risks:** BAS does not have an existing cash flow to help fund exploration. Without a discovery, ongoing capital raisings and share dilution become risks. BAS counters this risk through farm-in partners like Apache-Energy that is funding a 3D seismic survey in Vic/P42, and then will fund a well to earn 60% -- BAS's share of this JV falls to 20%. The success rate globally for wildcat wells is around 17% or around 1:6. The region is a prolific oil and gas province so BAS has a good chance of a discovery.

## Earnings Summary

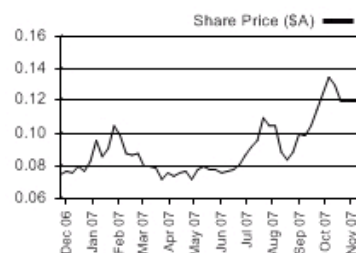
Yr to Jun	NPAT Rep \$M	NPAT <sup>1</sup> Adj \$M	EPS <sup>1</sup> c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2004A	0.2	0.2	0.4	n/a	32.8	1.0	0.8	0.0	0.0	0	16.1
2005A	(10.0)	(10.0)	(9.9)	n/a	(1.5)	(0.1)	(0.1)	0.0	0.0	0	(302.6)
2006A	(2.6)	(2.6)	(2.0)	n/a	(7.1)	(0.3)	(0.3)	0.0	0.0	0	(58.2)
2007A	(0.8)	(0.8)	(0.6)	n/a	(24.0)	(1.3)	(0.9)	0.0	0.0	0	(19.0)

<sup>1</sup> NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

## Key investment information

<b>Price:</b>	<b>\$0.15</b>
Price as at:	19-Nov-07
Market Cap (\$M):	17.4
Equiv. Shares (M):	129.24
% Market:	0.00
12Mth Range (\$):	0.07 - 0.17
Shares Traded (\$M pa):	10.0
Listed since:	Sept 2004
Index:	NON ASX

## Share price performance



## Company contact



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**Financial Stability**

Balance Sheet (Y/E Jun)	06A	07A
Net debt (cash) (\$M)	(2.7)	(1.7)
Total assets (\$M)	8.7	8.0
Net debt/equity (%)	(31.2)	(21.2)
Net interest cover (x)	n/a	n/a
NTA per share (\$)	0.02	0.01
Current ratio (x)	18.4	11.2

**As at 30-Jun-07**

Net debt (cash) (\$M)	(1.7)
Net debt (cash) / shr (\$)	(0.01)
Net debt (cash) / MktCap (%)	(9.5)

**Substantial Shareholders**

E G Albers	22.9%
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**Board**

- B Wheelahan (Chairman)
- A Adams (Managing Director/ CEO)
- G Albers (Director)
- H Askin (Director)

**Key Executives**

- A Adams (CEO)
- K Jackson (Exploration Manager)

**Bass Strait Oil Company Permits**



Source: BAS

**Off Shore Drill Rig**



Source: BAS

**Differentiating Factors**

BAS is differentiated by its high-impact exploration portfolio, its consistent technically-based focus on the prolific southeast Australia region and by the depth of experience in its board and management team. The portfolio of 14,000 sq km contains near and long-term opportunities, with early 2008 Gippsland drilling free-carried. BAS has a 10 year hands-on history in the region including JV operatorship. BAS team has many decades of petroleum experience, with several ex Shell personnel.

**Achievements**

BAS was awarded its first Gippsland permit in 1998. It listed on the ASX in 2004 and has made 2 non-commercial discoveries -- gas at Moby-1 in 2004 and gas/condensate at ZaneGrey-1 in 2005. As operator, BAS has safely drilled 5 offshore wells since 2001. BAS has established a large database for the Gippsland Basin that includes 7,000 sq km of modern 3D seismic data. Permits awarded in 2006 and 2007 include T42P and T43P in the Bass Basin and PEP167 in the onshore Otway, all 100% owned.

**Current Projects**

**Gippsland Basin:** In Vic/P42 (BAS 20% after farm-out) 3D data recorded by Apache in April 2007 will define the target for an early 2008 exploration well (BAS free-carried). This permit is adjacent Australia's largest oil field and the well is part of Apache's large Gippsland program.

In Vic/P41 (BAS 45%) 3D defined prospects are interpreted as on trend with and analogous to the Basker/Manta and Kipper fields which lie outside the permit. 2D seismic is planned in the under-explored eastern area in 2008.

In Vic/P47 (BAS 40%) Judith is interpreted as analogous to the Longtom Gas Field located 22km west, outside the permit area. Longtom is approved for development with first gas in third quarter 2008. Judith-1 was drilled in 1989 and a review suggests similar appraisal and development potential to Longtom. Timing of any potential drilling in Vic/P41 and Vic/P47 is dependent on the availability of drilling rigs (not likely before late 2008) and on the progress of farm-out negotiations.

**Otway Basin and Bass Basin:** OTWAY BASIN: In PEP167 (BAS 100%) BAS is reviewing the suspended 1987 Windermere-1 oil discovery. The area has good access to markets and economics have been enhanced by current pricing and modern techniques. The Windermere review will be used for operations planning. BAS can also earn 15% in adjacent PEP150 (Lindon oil discovery).

BASS BASIN: T42P and T43P (BAS 100%) cover virtually the entire Durroon sub-basin. BAS is planning 2D seismic in 2008 to detail several large features.

**Capital Structure**

BAS has 129.2M ordinary shares listed and there are 6.7M unlisted listed options. There are 7 series of options with expiry dates ranging from 30.06.08 to 30.06.10, with exercise prices from 15 cents to 30 cents.