



BASS STRAIT OIL COMPANY LTD

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2010

Corporate directory

Directors

John L C McInnes (Chairman)
Andrew R Adams (Managing Director)
Henry J Askin
John G Tuohy

Company Secretary

Andrew R Adams
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Melbourne, Victoria 3000 Australia

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Auditors

Ernst & Young
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Share register

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Stock exchange listing

Australian Stock Exchange Ltd
525 Collins Street
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ASX codes: BAS – Ordinary Shares

Web site: www.bassoil.com.au

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Currency

The Group's functional and presentation currency is Australian Dollars.

FORWARD LOOKING STATEMENTS

This half-year report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

Directors' report

The directors of Bass Strait Oil Company Ltd (the "Company") and its subsidiary ("BAS" or the "Group") submit their report for the half-year ended 31 December 2010.

DIRECTORS

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

John L C McInnes (Chairman)
Andrew R Adams (Managing Director)
Henry J Askin
John G Tuohy

REVIEW AND RESULTS OF OPERATIONS

During the half-year, BAS announced that the PEP 167 joint venture had agreed to drill a well at the Windermere oil project and that drilling was planned for the second quarter of 2011. Activity in the Company's offshore areas focussed on the Vic/P41 where a seismic inversion project was conducted and a variation in permit commitments was approved.

The following section provides more detail on these matters.

Consolidated net loss for the half-year, after income tax, was \$243,193 (2009:\$331,160).

EXPLORATION ACTIVITIES

Otway Basin onshore - PEP 167: BAS 50% and Operator

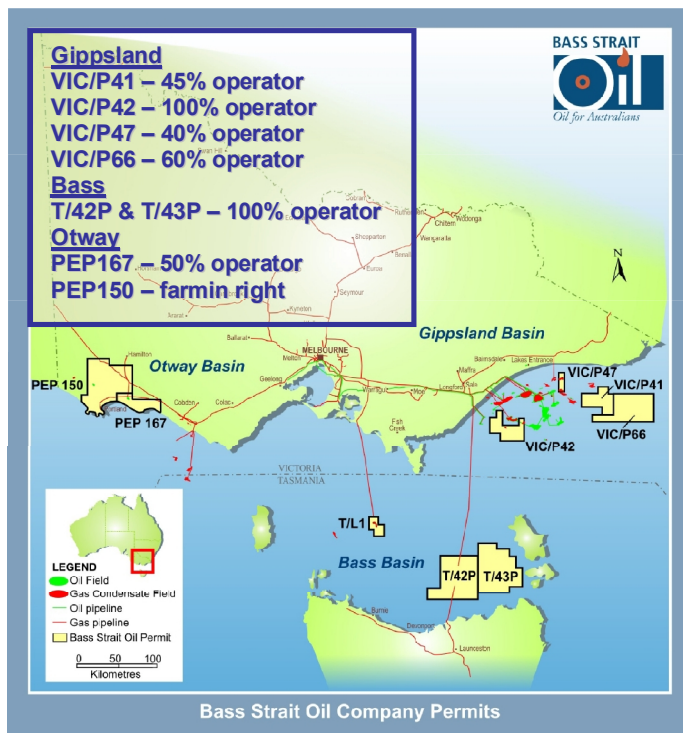
This area is located near Portland, in western Victoria and contains the undeveloped 1987 Windermere oil discovery.

Interpretation of the April 2010 3D seismic survey continued during the half-year. This work supported plans to drill a new well in the second quarter of 2011 to follow up the 1987 Windermere -1 oil discovery. The planning is now well underway.

Subsequent to the half-year BAS announced new 3D-based Windermere prospective resource estimates.

The 3D seismic survey is providing a high resolution image of the Windermere oil zone for the first time and it shows three linked closures at Windermere oil reservoir level (see map below).

The 'Greater Windermere' feature (mapped closures A, B and C combined) has an area of 6 sq km and new probabilistic estimates indicate a P10 (upside) prospective resource of 35.5 million barrels oil-in-place.



Planning is well advanced for a new well on the Windermere 'A' closure near the original well. This well will target a P50 (most likely) estimate of prospective resources for Windermere 'A' closure alone of 3.36 million barrels of oil-in-place or 0.95 million barrels of recoverable oil.

Success at the Windermere A closure would likely be a strong commercial result in its own right and could also lead to follow-up wells on the 'B' and 'C' closures of Greater Windermere as well as surrounding features.

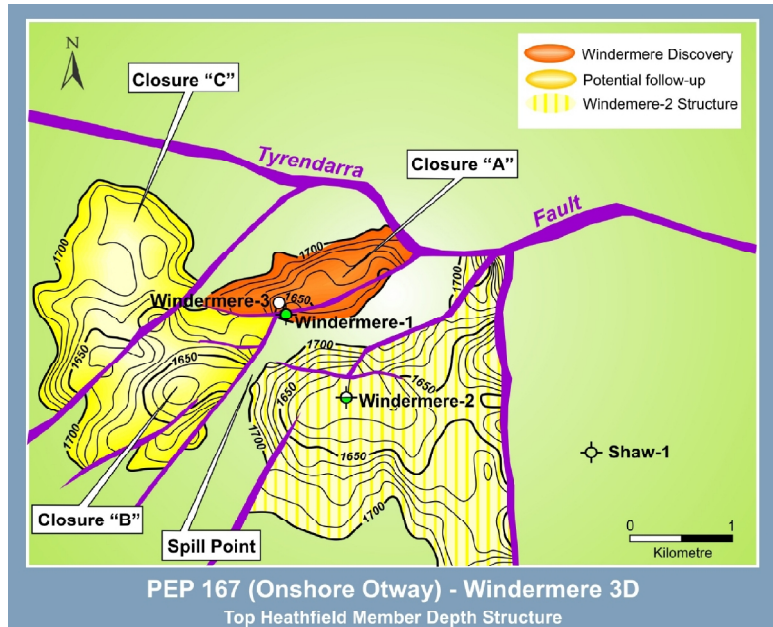
Directors' report (continued)

The 1987 Windermere-1 well produced oil on test but was not developed for production given the low oil prices and the available technology at that time. Given the recovery of oil from the 1987 well, many of the risks usually associated with exploration drilling are significantly reduced at the Windermere project. In addition to the 3D seismic survey, BAS has conducted a series of technical studies on Windermere which indicate the potential to achieve commercial flow rates by applying careful well design and modern drilling techniques.

Windermere is located on easy terrain and with good all-weather road access. PEP 167 also benefits from local infrastructure and a relatively short transport distance via sealed highway to the Geelong refinery. Therefore, if oil production is established at Windermere, we anticipate a relatively short development schedule with low capital and operating costs leading to robust economics.

Drilling at Windermere remains subject to the usual approvals including those from the relevant authorities.

BAS holds a 50% interest in the permit and operatorship of the PEP 167 joint venture.



Otway Basin onshore - PEP 150 (application area)

BAS, in conjunction with ITR, can earn an interest in PEP 150 by contributing to the drilling of a well. This area contains the 1989 Lindon oil discovery, but the permit is yet to be granted subject to negotiation of Native Title.

Gippsland Basin offshore - Vic/P47, BAS 40% and Operator

The Vic/P47 exploration permit is located in the offshore Gippsland Basin, 14 km from the coast and south of the Victorian town of Orbest, with water depths ranging up to 80 metres.

Vic/P47 contains the Judith and Moby gas discoveries. Judith contains certified gas resources (Gaffney Cline & Associates 2008) and both Judith and Moby are in close proximity to existing and planned infrastructure in adjacent licences. 22 km to the west, the Longtom Field has commenced gas production – the first production from the same geological unit as the Judith discovery.

A short distance to the south of the Judith field, ExxonMobil has recently completed a development drilling programme at the Kipper Field, with a target of first production of gas and liquids in 2012.

ExxonMobil also recently completed drilling at the nearby SE Longtom exploration well which was reported as encountering hydrocarbons.

Gippsland Basin offshore - Vic/P42, BAS 100%

The Vic/P42 exploration permit consists of 14 graticular blocks (939 sq km) and is located approximately 40 km offshore in moderate water depths of 50 to 80 metres. The permit is adjacent to Kingfish, Australia's largest oil field, as well as to Bream and other producing Esso/BHP oil and gas fields. Existing non-producing gas and condensate discoveries within Vic/P42 at ZaneGrey and Omeo further underline the prospectivity of the area.

BAS is re-evaluating known 3D-defined prospects such as Tarra Southeast, which was mapped as a low risk prospect by the previous operator. It is also planned to re-assess the full inventory of identified prospects and leads as well as investigate new plays in the permit.

Directors' report (continued)

Eastern Gippsland Basin offshore - Vic/P41, BAS 45% and Operator plus Vic/P66, BAS 60% and Operator

Permits Vic/P41 and Vic/P66 are located adjacent to each other in the east of the offshore Gippsland Basin, approximately 40 km south of the Victorian coast.

Vic/P41 contains a number of large prospects defined on modern 3D seismic, notably Kipling, Benchley and Oscar, whereas Vic/P66, while containing part of the 2D-defined 'Lead A' feature, is still at an early stage of exploration with clear potential to further extend the Rosedale trend in to new areas.

To further define and 'de-risk' these opportunities two new technical studies were undertaken in the half-year.

A seismic inversion project utilising both 2D and 3D seismic over the Rosedale trend prospects and leads in Vic/P41 is yielding encouraging results and is expected to lead to a re-assessment of the potential of these features.

The related basin modelling project (jointly funded by Vic/P41 and Vic/P66) has also been successful in defining the nature of hydrocarbon charge in to the east Gippsland area.

A variation to the permit commitments for Vic/P41 was granted during the half-year. The commitment for the current Year 5 of the permit has been reduced from the drilling of a well to the seismic inversion project and related studies.

Bass Basin offshore Tasmania - T/42P and T/43P, BAS 100%

These permits cover approximately 6120 sq km off the north coast of Tasmania, in an area of the Bass Basin known as the Durroon Sub-basin.

The Company has conducted a comprehensive modern exploration programme including recording new seismic data in T/42P and T/43P. The resulting mapping has defined a number of prospects, each with the scope to contain several hundred million barrels of recoverable oil. Mapping has also confirmed that neither of the 2 existing wells in the area were valid tests. Basin modelling studies indicate a series of interpreted petroleum 'kitchen' areas with the potential to have generated large quantities of oil and gas.

Subsequent to the half year, BAS applied for a variation of the T/42P permit commitments.

Auditor's independence declaration

We have obtained an independence declaration from our auditor, Ernst & Young, a copy of which is attached to this report.

Signed in accordance with a resolution of the directors.



Andrew Adams
Managing Director
Melbourne, 7 March 2011



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

In relation to our review of the half-year financial report of Bass Strait Oil Company Ltd for the half-year ended 31 December 2010, 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

A handwritten signature in black ink, appearing to read 'Matthew A Honey'.

Matthew A Honey
Partner
7 March 2011

Directors' declaration

In accordance with a resolution of the directors of Bass Strait Oil Company Ltd, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) give a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the Group; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Andrew Adams
Managing Director
Melbourne, 7 March 2011

BASS STRAIT OIL COMPANY LTD

Statement of financial position

As at 31 December 2010

	Note	Consolidated	
		31/12/2010 \$	30/6/2010 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	3,284,435	3,696,781
Trade and other receivables		14,566	44,143
Other current assets		68,623	54,367
Total current assets		3,367,624	3,795,291
Non-current assets			
Plant and equipment		53,183	66,085
Intangible assets	8	146,767	159,106
Exploration and evaluation costs	5	8,872,668	8,653,146
Total non-current assets		9,072,618	8,878,337
TOTAL ASSETS		12,440,242	12,673,628
LIABILITIES			
Current liabilities			
Trade and other payables		142,623	162,656
Provisions		193,232	179,665
Total current liabilities		335,855	342,321
NET ASSETS		12,104,387	12,331,307
EQUITY			
Contributed equity	6	26,929,119	26,913,100
Share based payment reserve		40,401	44,814
Accumulated losses		(14,865,133)	(14,626,607)
TOTAL EQUITY		12,104,387	12,331,307

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

Condensed statement of comprehensive income
For the half-year ended 31 December 2010

	Note	Consolidated 31/12/2010 \$	31/12/2009 \$
Total revenue	3	330,282	186,484
Total expenses	3	(557,456)	(501,625)
Profit/(loss) before income tax		(227,174)	(315,141)
Income tax (expense)/benefit		(16,019)	(16,019)
Net profit/(loss) for the period		(243,193)	(331,160)
Total comprehensive income for the period		(243,193)	(331,160)
		Cents	Cents
Basic (loss) per share (cents per share)		(0.08)	(0.16)
Diluted (loss) per share (cents per share)		(0.08)	(0.16)

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

Statement of changes in equity
For the half-year ended 31 December 2010

	Contributed Equity \$	Accumulated Losses \$	Consolidated Share based Payments Reserve \$	Total \$
At 1 July 2010	26,913,100	(14,626,607)	44,814	12,331,307
Profit/(loss) for the period	-	(243,193)	-	(243,193)
Total comprehensive income for the period	-	(243,193)	-	(243,193)
Transactions with owners in their capacity as owners				
Share-based payments	-	-	254	254
Transfer to accumulated losses for forfeited options	-	4,667	(4,667)	-
Income tax on items recognised directly in equity	16,019	-	-	16,019
Balance at 31 December 2010	<u>26,929,119</u> =====	<u>(14,865,133)</u> =====	<u>40,401</u> =====	<u>12,104,387</u> =====
At 1 July 2009	23,159,750	(14,155,727)	100,228	9,104,251
Profit/(loss) for the period	-	(331,160)	-	(331,160)
Total comprehensive income for the period	-	(331,160)	-	(331,160)
Transactions with owners in their capacity as owners				
Share-based payments	-	-	4,534	4,534
Issue of shares	4,067,379	-	-	4,067,379
Share issue costs	(346,067)	-	-	(346,067)
Income tax on items recognised directly in equity	16,019	-	-	16,019
Balance at 31 December 2009	<u>26,897,081</u> =====	<u>(14,486,887)</u> =====	<u>104,762</u> =====	<u>12,514,956</u> =====

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

Statement of cash flows

For the half-year ended 31 December 2010

	Note	Consolidated	
		31/12/2010	31/12/2009
		\$	\$
Cash flows from operating activities			
Receipts from customers		219,654	98,011
Payments to suppliers and employees		(514,426)	(512,703)
Interest received		98,425	12,606
Net cash used in operating activities		<u>(196,347)</u>	<u>(402,086)</u>
Cash flows from investing activities			
Petroleum exploration expenditure recoveries		-	250,000
Petroleum exploration expenditure		(215,999)	(297,646)
Net cash used in investing activities		<u>(215,999)</u>	<u>(47,646)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	4,067,379
Share issue costs		-	(346,067)
Net cash from financing activities		<u>-</u>	<u>3,721,312</u>
Net increase/(decrease) in cash and cash equivalents		(412,346)	3,271,580
Cash and cash equivalents at beginning of period		3,696,781	701,916
Cash and cash equivalents at end of period	4	<u>3,284,435</u> =====	<u>3,973,496</u> =====

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

Notes to the financial statements

For the half-year ended 31 December 2010

Note 1. Basis of preparation and accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Bass Strait Oil Company Ltd during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

Changes in accounting policy

The following amending Standards have been adopted from 1 July 2010. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

- AASB 2009-5 Further Amendments to Australian Accounting Standards Arising from the Annual Improvements project;
- AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19; and
- AASB 2010-3 Amendments to Australian Accounting Standards Arising from the Annual Improvements Project.

The Group has not elected to early adopt any other new standards or amendments.

Significant accounting estimates and assumptions

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

Exploration and evaluation costs

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

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 31 December 2010 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. Substantive expenditure in relation to each area of interest is planned based on permit commitments and cash reserves of the Group and on the basis that nothing has come to the attention of Directors to indicate future economic benefits will not be realised. The Directors are continually monitoring the areas of interest and continue to assess and explore alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed. If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

Notes to the financial statements

For the half-year ended 31 December 2010

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

Going concern

The financial report has been prepared on a going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. This includes the Group's exploration expenditure commitments, being the minimum work requirements under exploration permits for petroleum as set out in Note 7.

At 31 December 2010, the Group has cash reserves of \$3,284,435 and exploration commitments of \$3,125,750 as set out in note 7, which exclude commitments where a variation to the minimum work requirements under exploration permits for petroleum has been submitted to the relevant authority. In order to meet these exploration commitments, and continue to pay its debts as and when they fall due and payable, the Group will rely on taking appropriate steps, including but not limited to:

- Subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled,
- Meeting its obligations by either farmout or partial sale of the Group's exploration interests; and/or
- 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.

The Directors believe that there are reasonable grounds to expect that the Group will continue to be able to meet its exploration commitments and pay its debts as and when they fall due and payable.

Note 2. Operating Segments

The Group operates in the petroleum exploration industry within Australia.

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

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

Note 3. Revenue and expenses

	Consolidated	
	31/12/2010	31/12/2009
	\$	\$
Loss before income tax includes the following revenue and expenses:		
Revenue		
Exploration management services	233,043	152,819
Bank interest	97,056	33,165
Sundry income	183	500
	<u>330,282</u>	<u>186,484</u>
	=====	=====

Notes to the financial statements

For the half-year ended 31 December 2010

Note 3. Revenue and expenses (continued)

	Consolidated	
	31/12/2010	31/12/2009
	\$	\$
Expenses		
Audit costs	32,000	30,000
Amortisation of intangible assets	12,339	11,640
Computer expenses	5,634	4,717
Consultants fees	26,194	10,042
Depreciation of non-current assets	9,189	7,447
Directors remuneration	76,300	76,300
Insurance	11,096	10,638
Legal	560	-
Marketing	-	898
Printing and stationery	22,009	14,170
Rent and premises costs	32,847	32,635
Salaries employee benefits and costs	268,417	221,273
Share based payment	254	4,534
Stock exchange and registry costs	42,047	52,721
Travel and corporate promotion costs	2,575	1,591
Other expenses from ordinary activities	15,995	23,019
	557,456	501,625
	=====	=====

Note 4. Cash and cash equivalents

	Consolidated	
	31/12/2010	31/12/2009
	\$	\$
For the purposes of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	358,121	373,496
Short-term deposits	2,926,314	3,600,000
	3,284,435	3,973,496
	=====	=====

Note 5. Exploration and evaluation assets

Exploration and evaluation expenditure capitalised in the half-year to 31 December 2010 amounted to \$219,521 (2009 half-year \$305,682). Expenditure in the half-year mainly related to geological and geophysical studies on the offshore Gippsland permits and the onshore Otway permit PEP 167.

Capitalised exploration and evaluation costs at 31 December 2010 are \$8,872,668 (June 2010: \$8,653,146).

Notes to the financial statements

For the half-year ended 31 December 2010

Note 6. Contributed equity

	Consolidated	
	31/12/2010	30/6/2010
	\$	\$
Ordinary shares fully paid	26,929,119	26,913,100
	=====	=====
	No.	\$
Movement in ordinary shares on issue		
At 1 July 2009	155,450,953	23,159,750
Share issue on 30 October 2009	135,579,297	4,067,379
Costs of share issue	-	(346,067)
Deferred tax on share issue costs	-	32,038
At 30 June 2010	291,030,250	26,913,100
Deferred tax on share issue costs	-	16,019
At 31 December 2010	291,030,250	26,929,119
	=====	=====

Note 7. Commitments and contingencies

	Consolidated	
	31/12/2010	31/12/2009
	\$	\$
Expenditure commitments		
Within one year	925,750	522,500
After one year but not more than five years	2,200,000	2,975,000
More than five years	-	-
	3,125,750	3,497,500
	=====	=====

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

At 31 December 2010, the Group has cash reserves of \$3,284,435 and exploration commitments of \$3,125,750, which exclude commitments where a variation to the minimum work requirements under exploration permits for petroleum has been submitted to the relevant authority. In order to meet these exploration commitments, and continue to pay its debts as and when they fall due and payable, the Group will rely on taking appropriate steps, including but not limited to:

- Subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled,
- Meeting its obligations by either farmout or partial sale of the Group's exploration interests; and/or
- 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.

The Directors believe that there are reasonable grounds to expect that the Group will continue to be able to meet its exploration commitments and pay its debts as and when they fall due and payable.

Vic/P41 (currently in Year 5)

The Year 5 variation was granted on 16 December 2010 and consists of further geological and geophysical studies including a seismic inversion project (\$150,750).

Vic/P42 (currently in Year 2)

The committed work program consists of geological and geophysical studies in Year 2 (\$100,000) and seismic reprocessing in Year 3 (\$500,000).

Notes to the financial statements

For the half-year ended 31 December 2010

Note 7. Commitments and contingencies (continued)

Vic/P47 (currently in Year 2)

The committed work program consists of 3D seismic reprocessing in Year 2 (\$100,000) and geological and geophysical studies in Year 3 (\$400,000).

Vic/P66 (currently in Year 3)

The committed work program consists of a 2D seismic survey in Year 3 (\$450,000).

T/42P (currently in Year 5)

All permit commitments have been met to date. Since period end, a variation to Year 6 has been submitted.

T/43P (currently in Year 5)

All permit commitments have been met to date. Since period end, a variation to Year 6 has been submitted.

PEP 167 (currently in Year 4)

The committed work program consists of geological & geophysical studies in Year 4 (\$125,000) and a well in Year 5 (\$1,300,000).

Non-cancellable operating lease commitments

	Consolidated	
	31/12/2010	31/12/2009
	\$	\$
Within one year	76,919	73,961
After one year but not more than five years	59,403	136,322
More than five years	-	-
	136,322	210,283
	=====	=====

Note 8. Yolla royalty

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

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 are an indicator of impairment. Application of the requirements of this standard in the year ended 30 June 2009 resulted in a reduction to the carrying value to \$176,000, based on the expected future economic benefits receivable as a result of royalties being paid in accordance with the methodology adopted by the owners.

The Directors are confident that the carrying value of the royalty at 31 December 2010 is supported by the minimum expected future economic benefits to be derived from the Yolla Royalty. The Directors continue to seek legal advice on the position adopted by the Group, and are actively taking steps to resolve the dispute through agreement with the owners regarding the calculation methodology to be adopted. Alternatively, the directors may pursue legal action to resolve the dispute. If the dispute is resolved in the favour of the Group, the impairment recognised in the year ended 30 June 2009 may be reversed.

Note 9. Subsequent events

Other than the matters discussed in Note 7, no matters or circumstances have arisen since the end of the reporting period which have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial periods.



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To the members of Bass Strait Oil Company Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bass Strait Oil Company Ltd, which comprises the statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bass Strait Oil Company Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bass Strait Oil Company Ltd is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read "Matthew A Honey".

Matthew A Honey
Partner
Melbourne
7 March 2011