



BASS STRAIT OIL COMPANY LTD

ABN 13 008 694 817

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2007

CORPORATE DIRECTORY

Directors

Bernard Wheelahan (Chairman)
Andrew R Adams (Managing Director)
E Geoffrey Albers
Henry J Askin

Company Secretary

John Nethersole
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Melbourne, Victoria 3000 Australia

Registered Office

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Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000 Australia

Share Registry

Link Market Services Limited
Level 9, 333 Collins Street
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Telephone +61 (3) 9615 9800
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Stock Exchange Listing

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

ASX Codes: BAS – Ordinary Shares

Web Site: www.bassoil.com.au

CONTENTS

Report by Directors.....	1
Auditor's Independence Declaration.....	4
Directors' Declaration	5
Condensed Income Statement	6
Balance Sheet	7
Statement of Changes in Equity	8
Cash Flow Statement	9
Notes to the Half-year Financial Statements	10
Independent Review Report	14

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.

HALF-YEAR REPORT TO 31 DECEMBER 2007

DIRECTORS' REPORT

The Directors of Bass Strait Oil Company Limited and its subsidiary ("BAS" or "Company") submit their report for the half-year ended 31 December 2007.

The names of the Company's directors in office during the half-year and until the date of this report are as follows:

Bernard Wheelahan BSc. Dip Ed. FRACI, F AusIMM, FAICD, FAIE – Chairman

Andrew R Adams B.Sc. MBA GAICD - Managing Director

E Geoffrey Albers LL.B FAICD

Henry J Askin B.SC (Hons) Ph.D

REVIEW AND RESULTS OF OPERATIONS

Consolidated net loss for the half-year, after income tax, was \$488,866.

EXPLORATION ACTIVITIES

The recent arrival of the West Triton drilling rig in the Gippsland Basin heralds the start of a major new round of drilling activity in the Gippsland, Bass and Otway Basins. Three offshore rigs, including the West Triton, are scheduled to drill for a number of operators in the region during 2008 and 2009. Onshore drilling in the Otway Basin is also due to continue at a high level.

BAS anticipates that this activity will re-focus attention on the discovery potential of the Basins and of its own portfolio.

GIPPSLAND BASIN

Vic/P42, BAS 20%

Apache Energy has committed to funding Speke South-1 as its Vic/P42 farmin obligation well. BAS will be free-carried by Apache through the well and BAS will retain a 20% interest in the well and the permit. Speke South-1 will be the third well of Apache's 2008 Gippsland Basin campaign and is scheduled to begin drilling by month end.

The original Speke-1 well was drilled without the benefit of 3D seismic in 1984. The latest Apache depth mapping, based on state-of-the-art 3D seismic, indicates that Speke-1 may have intersected a subtle closure at Top Latrobe, but that it was not crestal at intra-Latrobe levels and it is known that the original well did not drill deep enough to penetrate the Golden Beach level.

Depth maps of the Speke South prospect shows closure at several levels, with the most significant volumes at the deeper Golden Beach Subgroup. Apache now assesses the Speke South prospect as having a prospective resource target of 38.8 million barrels (risked truncated mean).

The Speke South-1 well will be located approximately 37 km offshore, in a water depth of 56 metres and is now expected to be drilled to a depth of approximately 3100 metres.

Vic/P42 lies adjacent to Kingfish, Australia's largest oil field, as well as a number of other Esso/BHPB producing oil and gas fields. Gas and condensate discoveries, located at ZaneGrey (BAS, 2005) and Omeo, lie within Vic/P42. The future potential of the permit is dependent upon capitalising on a strong inventory of prospects and leads. At this stage, an updated prospects and leads inventory for the whole permit has not yet been completed.

Vic/P47, BAS 40% and Operator

Permit Vic/P47 includes the Moby-1 well, which is a gas discovery in the Gurnard Formation, and the Judith-1 well which is interpreted to be gas-bearing in the Emperor Subgroup based on logs and shows. The southern part of the permit, including both Moby-1 and Judith-1, is covered by modern 3D seismic surveys.

DIRECTORS' REPORT (CONTINUED)

The prospective Judith gas accumulation is interpreted as analogous to the Longtom Gas Field which is located 22km west, outside the Vic P47 permit area. The Longtom-3 appraisal/development well has flowed gas at up to 77 MMscf/d from the Emperor Subgroup, indicating for the first time the commercial potential of gas accumulations in this zone. Longtom field operator, Nexus Energy, is proceeding with field development targeting first gas in the third quarter of 2008.

BAS has completed an internal technical review of Judith which suggests that Judith has similar appraisal/development potential to Longtom. Further mapping and technical review is ongoing.

Judith requires appraisal drilling to acquire more data on the accumulation and the joint venturers are seeking parties to earn equity in Vic/P47 by contributing to drilling costs in a Judith gas appraisal programme.

The West Triton jackup rig is scheduled for development drilling at Longtom in mid 2008 and would be suitable for appraisal drilling at Judith with availability in early 2009.

Vic/P41, BAS 45% and Operator

The Vic/P41 joint venture has committed to a 250 km 2D seismic survey in the east of Vic/P41. This survey is scheduled for June 2008 as part of a multi-operator consortium conducting 2D seismic acquisition in various permits in southeast Australia. The survey is designed to better define the eastern area of the permit where several leads are delineated only on sparse existing data.

The western area of the permit was covered by 3D seismic recorded in 2005. The joint venture is seeking farmin parties to earn an interest in Vic/P41 by substantially funding drilling of its 3D seismic defined prospects. Several large prospects along the Rosedale Fault trend are interpreted as analogous to the Kipper oil and gas field which lies on-trend to the west, outside Vic/P41. Further to the south in this permit are the Oscar prospects, which are interpreted to be on trend with and analogous to the producing Basker / Manta / Gummy (BMG) fields, which are outside the BAS permit area. BMG commenced oil production in December 2006.

Timing of any potential drilling is dependent on the availability of a semi-submersible drilling rig slot in the Gippsland Basin (with current scheduling indicating potential availability in late 2009) and on the progress of farmout negotiations.

OTWAY BASIN

PEP 167, BAS 100%

BAS holds a 100% interest in exploration permit PEP 167 in the onshore Otway Basin, near Portland, in western Victoria. PEP 167 contains both the 1987 Windermere-1 discovery well and the 2002 Port Fairy-1 oil and gas discovery well.

Windermere-1 produced 32 barrels of 41 API oil from an open-hole test of the Heathfield Sandstone member. This test provides valid data for modern analysis. Subsequent cased hole tests were unsuccessful, but may have been adversely affected by formation damage during drilling and completion operations. A 1989 follow-up well at Windermere-2 did not record any hydrocarbons, but is separated from the discovery well by a significant fault. Oil prices and available drilling techniques would likely not have supported further follow-up at that time.

BAS is evaluating appraisal strategies.

PEP 150 (application area), BAS to earn 15% via farmin

BAS can earn a 15% interest in PEP 150 by contributing to the drilling of a well. This area contains the Lindon oil discovery, but the permit is yet to be granted; subject to negotiation of Native Title. The operator, Beach Petroleum, has commenced a review of the permit and has indicated that it expects the permit to be granted during 2008.

BASS BASIN

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

BAS has committed to acquire 1100 km of 2D seismic in these Durroon Sub-basin permits. This survey is scheduled for June 2008 as part of a multi-operator consortium conducting 2D seismic acquisition in various permits in southeast Australia.

DIRECTORS' REPORT (CONTINUED)

During its initial studies, BAS collected available data in the area, including reprocessed seismic data. Interpretation of this integrated database indicates both structural and stratigraphic trapping potential at several levels. A number of large volume-potential leads have been identified. For example, BAS mapping indicates that the Targa lead has 70 sq km areal closure and the Cethana lead has 30 sq kms areal closure. These leads are well located to receive hydrocarbon charge from postulated nearby 'kitchen' areas.

CAPITAL RAISING

On 8 February 2008 the Company announced to the market an underwritten non-renounceable pro-rata rights issue of ordinary shares in the Company. BAS shareholders, who were registered at 7.00pm AEDT on 18 February 2008, were able to participate in the rights issue on the basis of one fully paid ordinary share in the Company for every five shares held at an issue price of 12.5 cents per share thus raising \$3,238,561 before issue costs.

The rights issue was fully underwritten by Great Missenden Holdings Pty Ltd (a company controlled by Mr E.G. Albers, a director and substantial shareholder of the Company) for a management fee of 1% plus a commission of 4% of the amount raised by the rights issue.

The rights issue resulted in the issue of an additional 25,908,485 ordinary shares in the company.

The rights issue closed on Friday, 7 March 2008, 39.9% undersubscribed by shareholders. Allotment of the new shares is scheduled for Monday, 17 March 2008

Proceeds from the rights issue are planned to be used primarily for the recording and processing of 2D exploration seismic data scheduled for 2008. In addition to these projects, a portion of the net proceeds of the rights issue are expected to be applied to general exploration activities in southeast Australia and for working capital purposes generally. An indicative scenario for the application of the funds raised under the rights issue is shown in the table below:

Bass Basin 2D seismic	\$ 1,500,000
Gippsland Basin 2D seismic	\$ 250,000
Other exploration costs	\$ 1,000,000
Underwriting and costs of the issue	\$ 171,928
Working capital	\$ 316,633
	<hr/>
	\$ 3,238,561

AUDITOR 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, 14 March 2008

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

In relation to our review of the half-year financial report of Bass Strait Oil Company Limited for the half-year ended 31 December 2007, 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



Brett Croft
Partner
14 March 2008

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) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; 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, 14 March 2008

**CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

		CONSOLIDATED	
	NOTE	31/12/2007	31/12/2006
		\$	\$
Total revenue	3	209,769	277,462
Other income		608	-
Total expenses	3	(699,243)	(679,910)
Profit (loss) before income tax		(488,866)	(402,448)
Income tax (expense) / benefit		-	-
Profit (loss) for the period		(488,866)	(402,448)
Basic (loss) per share (cents per share)		(0.38)	(0.31)
Diluted (loss) per share (cents per share)		(0.38)	(0.31)

BALANCE SHEET
AS AT 31 DECEMBER 2007

	NOTE	CONSOLIDATED	
		31/12/2007	30/6/2007
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,074,214	1,665,879
Trade and other receivables		10,341	21,776
Other		110,255	196,438
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		1,194,810	1,884,093
		<hr/>	<hr/>
NON-CURRENT ASSETS			
Plant and equipment		133,829	44,401
Intangible assets		438,383	452,966
Exploration and evaluation costs	6	5,927,579	5,652,081
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		6,499,791	6,149,448
		<hr/>	<hr/>
TOTAL ASSETS		7,694,601	8,033,541
		<hr/>	<hr/>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		199,885	139,880
Provisions		31,115	28,367
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES		231,000	168,247
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables		39,450	-
Provisions		14,354	13,070
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		53,804	13,070
		<hr/>	<hr/>
TOTAL LIABILITIES		284,804	181,317
		<hr/>	<hr/>
NET ASSETS		7,409,797	7,852,224
		=====	=====
EQUITY			
Contributed equity	7	19,930,605	19,872,732
Reserves		185,471	219,085
Accumulated losses		(12,706,279)	(12,239,593)
		<hr/>	<hr/>
TOTAL EQUITY		7,409,797	7,852,224
		=====	=====

**STATEMENT OF CHANGES IN EQUITY
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	CONSOLIDATED			
	Issued Capital \$	Share based Payment Reserves \$	Accumulated (Losses) \$	Total Equity \$
At 1 July 2007	19,872,732	219,085	(12,239,593)	7,852,224
Loss for the period	-	-	(488,866)	(488,866)
Total recognised income and expense for the period	-	-	(488,866)	(488,866)
Cost of share based payment during period	-	1,439	-	1,439
Cost of vested equity instrument cancelled	-	(22,180)	22,180	-
Cost of vested equity instrument exercised	12,873	(12,873)	-	-
Issue of shares	45,000	-	-	45,000
At 31 December 2007	<u>19,930,605</u> =====	<u>185,471</u> =====	<u>(12,706,279)</u> =====	<u>7,409,797</u> =====
At 1 July 2006	19,872,732	155,686	(11,458,187)	8,570,231
Loss for the period	-	-	(402,448)	(402,448)
Total recognised income and expense for the period	-	-	(402,448)	(402,448)
Cost of share based payment during period	-	35,040	-	35,040
At 31 December 2006	<u>19,872,732</u> =====	<u>190,726</u> =====	<u>(11,860,635)</u> =====	<u>8,202,823</u> =====

**CASH FLOW STATEMENT
 FOR THE HALF-YEAR ENDED
 31 DECEMBER 2007**

	NOTE	CONSOLIDATED	
		31/12/2007	31/12/2006
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		214,569	360,973
Payments to suppliers and employees		(539,566)	(670,354)
Petroleum exploration expenditure		(300,122)	(178,820)
Interest received		56,762	69,769
Net cash flows used in operating activities		<u>(568,357)</u>	<u>(418,432)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on plant and equipment		(66,211)	(486)
Net cash flows used in investing activities		<u>(66,211)</u>	<u>(486)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		45,000	-
Loans repaid		(2,097)	-
Net cash flows from financing activities		<u>42,903</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents		(591,665)	(418,918)
Cash and cash equivalents at beginning of period		1,665,879	2,669,871
Cash and cash equivalents at end of period	5	<u>1,074,214</u> =====	<u>2,250,953</u> =====

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

NOTE 1 CORPORATE INFORMATION

The financial report of Bass Strait Oil Company Ltd (the Company) for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 7 March 2008. Bass Strait Oil Company Ltd is a company incorporated in Australia and limited by shares that are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 4.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Bass Strait Oil Company Ltd as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Bass Strait Oil Company Ltd and its controlled entities ('the Group'), during the half-year ended 31 December 2007, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX listing rules.

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007.

(a) Basis of Preparation

The half-year financial report is a general-purpose financial report presented in Australian dollars, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting".

The half-year financial report has been prepared on a historical cost basis. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year condensed consolidated statements comprise the financial statements of the Group as at 31 December 2007.

(b) 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.

Intangibles

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 assessed 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. 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.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

(c) Changes in Accounting Policy

Since 1 July 2007 the group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2007. Adoption of these standards and Interpretations did not have any effect on the financial position or performance of the Group.

- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132,101,114,117,133,139,1,4,1023 and 1038)
- Interpretation 8 Scope of AASB 2 Share-based Payment
- Interpretation 9 Reassessment of Embedded Derivatives
- Interpretation 10 Interim Financial Reporting and Impairment

	CONSOLIDATED	
	31/12/2007	31/12/2006
	\$	\$
NOTE 3 REVENUE AND EXPENSES		
Loss before income tax includes the following revenue and expenses:		
REVENUE		
Exploration management services	167,010	205,448
Bank interest	42,759	71,985
Currency gain	-	29
Total revenue	209,769	277,462
	=====	=====
EXPENSES		
Audit costs	30,000	15,000
Amortisation of intangible assets	14,583	11,015
Computer expenses	23,668	6,119
Consultants fees	74,087	101,172
Depreciation on non-current assets	9,001	9,937
Directors remuneration	76,300	97,262
Exploration expenditure written off	784	10,383
Insurance	13,199	-
Loss on disposal of assets	3,064	188
Marketing	18,140	1,050
Printing and stationery	10,835	13,474
Rent and premises costs	62,565	70,078
Salaries employee benefits and costs	279,176	201,508
Share based payment	1,439	35,040
Stock exchange and registry costs	42,267	52,435
Travel and corporate promotion costs	2,296	9,108
Other expenses from ordinary activities	37,839	46,141
Total Expenses from Ordinary Activities	699,243	679,910
	=====	=====

NOTE 4 SEGMENT INFORMATION

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

NOTE 5 CASH AND CASH EQUIVALENTS

For the purposes of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank	124,214	57,890
Short-term deposits	950,000	2,193,063
	1,074,214	2,250,953
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	CONSOLIDATED	
	31/12/2007	30/6/2007
	\$	\$
NOTE 6 EXPLORATION AND EVALUATION ASSETS		
Balance at the beginning of the period	5,652,081	5,304,233
Cost for the period	276,282	426,720
Supplier refunds and cost recoupment	-	(30,500)
Write off expenditure	(784)	(48,372)
	<u>5,927,579</u>	<u>5,652,081</u>
	=====	=====

NOTE 7 CONTRIBUTED EQUITY

Ordinary shares	19,930,605	19,872,732
	=====	=====
	No.	\$
Movements in ordinary shares on issue		
At 1 July 2006:	129,242,468	19,872,732
	<u>129,242,468</u>	<u>19,872,732</u>
At 30 June 2007	129,242,468	19,872,732
	<u>300,000</u>	<u>45,000</u>
Options exercised	300,000	45,000
Cost of vested equity instrument exercised	-	12,873
	<u>129,542,468</u>	<u>19,930,605</u>
At 31 December 2007	129,542,468	19,930,605
	=====	=====

NOTE 8 COMMITMENTS AND CONTINGENCIES

In addition to the commitments disclosed in the June 2007 Financial Report, the Group notes the changes to the following expenditure commitments during the six months ended 31 December 2007:

	\$
Operating lease	345,324
Minimum exploration commitments	(810,000)
	=====

The exploration commitments have reduced owing to the company meeting prior period expenditure commitments on its permits.

There are no material contingent assets or liabilities in respect to the Group.

NOTE 9 RELATED PARTIES

Controlled Entity

The controlled entity BAS Business Services Pty Ltd is 100% owned, incorporated in Australia and its half-year end is 31 December. The controlled entity did not trade during the period and the Company met the cost of the controlled entity's administration.

Other Transactions with Directors and Director-Related Entities

During the half-year the Company received fees as the operator of Vic/P47 of \$94,385 (2006: \$113,789) and Vic/P41 of \$72,625 (2006: \$86,693) in which Moby Oil & Gas Limited ("Moby") is a co-venturer. A Director, E.G. Albers, is both a Director and Chairman of Moby.

All transactions with director-related entities are provided under normal commercial terms and conditions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

NOTE 10 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 and has a finite life depending upon economic gas and oil condensate reserves in the field. The amortisation of the royalty was based on the units of production method. The current owners commenced commercial production in early July 2006. No royalty amounts have been received by the company. A party with a royalty payment obligation has submitted a methodology for calculating the royalty amounts due, which results in no payments being made. The parties entitled to receive the royalty are disputing the proposed methodology.

NOTE 11 SUBSEQUENT EVENTS

Capital Raising

On the 7 March, 2008 the company completed a fully underwritten 1 for 5 non renounceable rights issue at 12.5 cents per share raising \$3,238,651 before issue expenses. The company will issue 25,908,485 fully paid ordinary shares in accordance with the terms of the issue.

The underwriter was Great Missenden Holdings Pty Ltd, (a company controlled by Mr E.G. Albers, a director and substantial shareholder of the company), which derived from the rights issue a management fee of 1% plus a commission of 4% of the amount raised. The underwriter contributed \$1,291,222 in accordance with its obligations to fund undersubscriptions to the rights issue.

To the members of Bass Strait Oil Company Limited

Report on the Half-Year Financial Report

Scope

We have reviewed the accompanying 31 December 2007 financial report of Bass Strait Oil Company Limited, which comprises the balance sheet as at 31 December 2007 and the condensed income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2007 or from time to time during the half-year then ended.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 2007 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 Limited 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 interim financial report of Bass Strait Oil Company Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Brett Croft
Partner
Melbourne
14 March 2008