



BASS STRAIT OIL COMPANY LTD

ABN 13 008 694 817

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2008

CORPORATE DIRECTORY

Directors

John McInnes (Chairman)
Andrew R Adams (Managing Director)
E Geoffrey Albers
Henry J Askin

Company Secretary

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Melbourne, Victoria 3000 Australia

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Auditors

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Melbourne, Victoria 3000 Australia

Share Registry

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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.....	2
Auditor's Independence Declaration.....	6
Directors' Declaration	7
Condensed Income Statement	8
Balance Sheet	9
Statement of Changes in Equity	10
Cash Flow Statement	11
Notes to the Half-year Financial Statements	12
Independent Review Report	17

CURRENCY

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

FORWARD LOOKING STATEMENTS

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

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

DIRECTORS' REPORT

The Directors of Bass Strait Oil Company Ltd and its subsidiary ("BAS" or "Company") submit their report for the half-year ended 31 December 2008.

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.

Bernard Wheelahan (Chairman – resigned 18 November 2008)

John McInnes (Director – appointed 1 October 2008, Chairman – appointed 18 November 2008)

Andrew R Adams (Managing Director)

E Geoffrey Albers

Henry J Askin

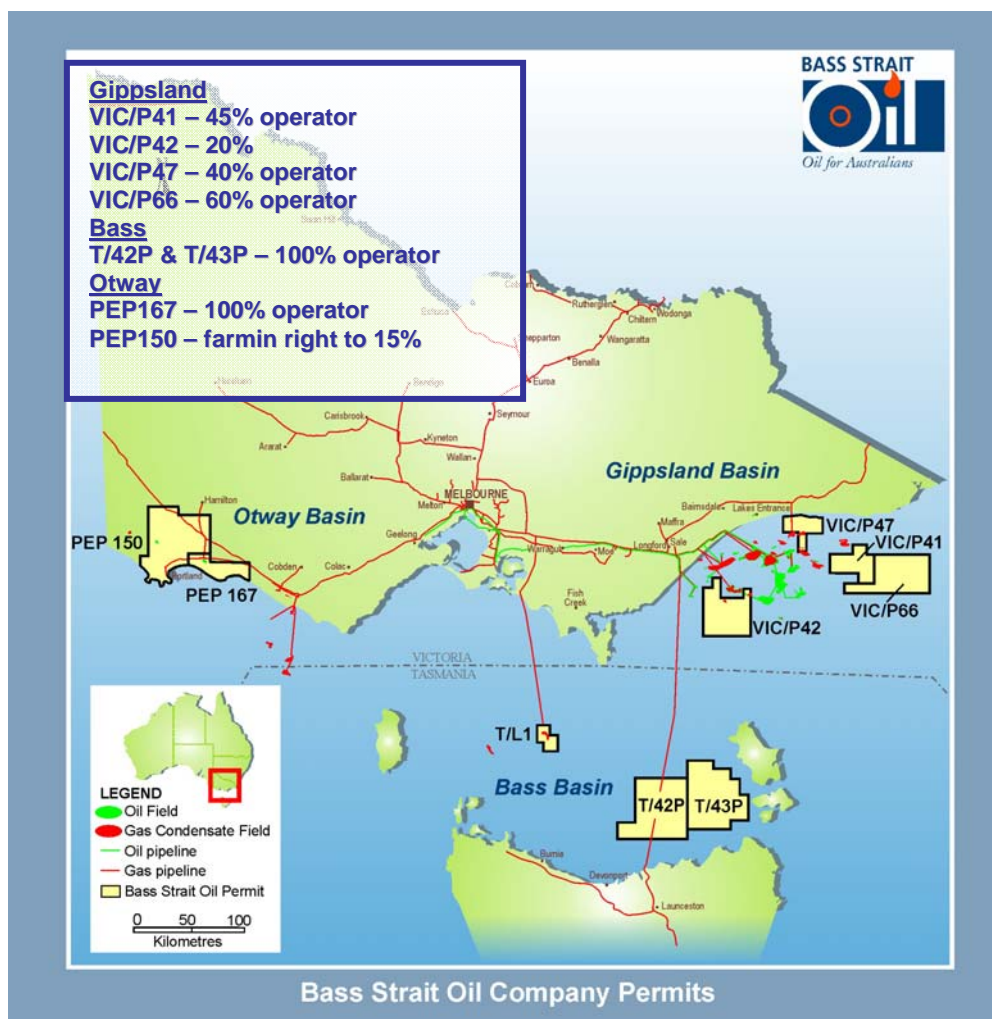
REVIEW AND RESULTS OF OPERATIONS

Consolidated net loss for the half-year, after income tax, was \$367,902 (2007:\$488,866).

The Directors are cognisant of the ongoing funding requirements of the Company. Note 1(d) to the financial statements refers to this issue and sets out the basis on which the financial statements have been prepared.

EXPLORATION ACTIVITIES

On 2 December 2008 the Company was awarded Vic/P66, a new offshore Gippsland Basin exploration permit. The new permit complements BAS's balanced portfolio of southeast Australian petroleum exploration permits which now extends to 6 offshore and 2 onshore permits located across the productive Gippsland, Bass and Otway Basins.



DIRECTORS' REPORT (CONTINUED)

GIPPSLAND BASIN

Vic/P41, BAS 45% and Operator

Permit Vic/P41 is located in the offshore Gippsland Basin, approximately 40 km south of the eastern Victorian coast.

Data processing for the June 2008 Vic/P41 2D seismic survey in the east of the permit is now complete. Interpretation and mapping of the new seismic data, as well as re-processing of older data in the area, is continuing. Mapping based on the new data will better define several leads which have been defined only on sparse older data.

In the western area of Vic/P41, modern 3D seismic data defines several large prospects along the Rosedale Fault trend. These prospects are interpreted as analogous to the Kipper oil and gas field, which lies on-trend to the west, outside Vic/P41. Development plans for Kipper have been announced targeting first production for 2011. Further to the south within Vic/P41, 3D seismic also defines 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 to the west. BMG commenced oil production in December 2006.

While the Vic/P41 3D-defined prospects are ready to be tested, the 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 2010) and on the progress of farmout negotiations.

Vic/P42, BAS 20%

Vic/P42 is located approximately 40 km offshore in water depths range from 50 to 80 metres. The permit lies adjacent to Kingfish, Australia's largest oil field, as well as a number of other Esso/BHP Billiton producing oil and gas fields. Gas and condensate discoveries at ZaneGrey (BAS, 2005) and Omeo, lie within Vic/P42.

The Vic/P42 joint venture has met or exceeded all permit commitments during the first six year permit term. The permit is currently undergoing the renewal and relinquishment process prior to starting a new five year permit term in which the permit would be reduced to 50% of the original permit area. The joint venture expects that all prospective blocks within the original permit will be retained.

Vic/P42 now has extensive modern 3D seismic coverage and a strong inventory of undrilled prospects and leads. In particular, the SE Tarra prospect remains an attractive exploration target, and may be addressed in the future.

Vic/P47, BAS 40% and Operator

Permit Vic/P47 is located in the offshore Gippsland Basin, approximately 5 km offshore, south of the Victorian town of Orbost. Water depths range from 20 to 80 metres and the permit covers an area of some 718 sq km.

The Gilbert Farmin and Coordination Agreement has now been terminated and all rights and title in the entire Vic/P47 permit now reside with the Vic/P47 joint venture:

Bass Strait Oil Company Limited (ASX Code: BAS)	40% and operator
Moby Oil & Gas Limited (ASX code: MOG)	35%
Strategic Energy Resources Limited (ASX code: SER)	25%

Vic/P47 has entered a renewal and relinquishment process and it is anticipated that this will result in a new five year permit term in which the permit area would be reduced. The joint venture expects that all prospective blocks within the original permit area will be retained.

The permit contains the Judith Gas Discovery, which was drilled by Shell in 1989, but not production tested or appraised. During June 2008, consultants Gaffney, Cline & Associates (GCA) completed an independent resource certification of the Judith Gas Discovery and associated prospects in Vic/P47. GCA reported that a gross gas column of 290 metres can be interpreted from Judith-1 electric log data and GCA's petrophysical analysis indicated 135.5 metres of net gas pay in the Judith-1 well. GCA's certification provides independent confirmation that, subject to successful appraisal, the Judith Gas Discovery has the resource volume potential to underpin a commercial development.

The timing of any potential drilling at Judith is dependent on further appraisal studies and planning, the availability of drilling rig slots and on the progress of funding / farmout discussions by the Vic/P47 joint venture.

DIRECTORS' REPORT (CONTINUED)

Vic/P66, BAS 60% and Operator

Vic/P66 has been awarded to a group of Australian companies consisting of

Bass Strait Oil Company Limited (ASX Code: BAS)	60% and operator
Strategic Energy Resources Limited (ASX code: SER)	23%
Oil Basins Limited (ASX code: OBL)	17%

The Vic/P66 permit covers 2160 square kilometres from approximately 50 kilometres offshore in the eastern Gippsland Basin. It spans water depths from 200 metres to over 2000 metres.

The Gippsland Basin is a proven world-class petroleum province which contains some 20 producing oil and gas fields, including Australia's largest oil discovery to date, the Kingfish Field.

The eastern area of the Gippsland containing Vic/P66 has not been targeted for significant exploration in the past. Distance from established fields and infrastructure and increasing water depths are two factors that likely limited earlier exploration. However, as evidenced in many areas around the world today, the demand for energy and modern oilfield technology are combining to bring exploration in such areas into the industry mainstream.

The Vic/P66 group believes that this new permit provides early-stage exploration exposure to the potential for extensions of proven Gippsland Basin plays and also for the development of new play concepts. Given the relative lack of modern seismic data and recent exploration studies in the area, the planned Vic/P66 exploration programme consists of data collection and studies in the first two years, in preparation for 2D seismic acquisition in the third permit year.

Acquiring this new permit interest complements and extends Bass Strait Oil Company's strategic focus on the southeast Australia region. As Vic/P66 operator, BAS plans to add value to this new permit by leveraging the Company's accumulated experience in the region and, in particular, to seek synergies with the adjacent Vic/P41 permit. The Vic/P66 participants have interests in Vic/P41, where similar geological concepts are being pursued.

OTWAY BASIN

PEP 167, BAS 100%

Exploration permit PEP 167 is located in the onshore Otway Basin, near Portland, in western Victoria. BAS holds a 100% interest in the permit which comprises some 833 sq km.

Windermere-1 produced 32 barrels of oil from an open-hole test. BAS's review indicates that there is good potential to achieve commercial flow rates at Windermere, particularly given careful well design, modern drilling techniques and potentially employing horizontal drilling. The economics of any oil production that may be established in this area are favourable, with good access and relatively short transport distance to the Geelong refinery.

The timing of a possible 3D seismic survey over the area of the 1987 Windermere-1 well has yet to be confirmed.

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. BAS looks forward to a resolution of Native Title issues that will allow the granting of the PEP 150 permit and the commencement of an exploration programme in the area.

BASS BASIN

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

In the Bass Basin, the Company holds a 100% interest in permits T/42P and T/43P covering virtually the entire Durroon Sub-basin. The Durroon Sub-basin extends north from approximately 15 km off the north coast of Tasmania, in water depths ranging from 35 to 80 metres. These permits cover approximately 6120 sq km and provide BAS with the potential to create significant value by pursuing this 'grass roots' exploration opportunity.

DIRECTORS' REPORT (CONTINUED)

Initial interpretation of the Company's June 2008 'Targa' offshore 2D seismic survey is continuing. The new Targa 2D data is being integrated with existing geological and geophysical data.

Seismic reprocessing tests and related technical work have yielded good data quality improvements on some older seismic vintages. The reprocessing project is nearing completion and interpretation can then proceed to create new mapping of the permits. The resulting updated maps of the Durroon Sub-basin area will allow BAS to further define a number of high-potential leads identified from our existing database.

The Targa survey is the first new exploration investment in this area since the early 1990s. BAS views the Durroon Sub-basin as a prospective and under-explored area which forms an integral part of its regional acreage portfolio strategy.

AUDITOR INDEPENDENCE DECLARATION

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

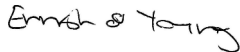
Signed in accordance with a resolution of the directors.



Andrew Adams
Managing Director
Melbourne, 3 March 2009

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 2008, 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
3 March 2009

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 2008 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, 3 March 2009

**CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

		Consolidated	
	NOTE	31/12/2008	31/12/2007
		\$	\$
Total revenue	2	292,293	209,769
Other income		-	608
Total expenses	2	(651,137)	(699,243)
Profit (loss) before income tax		(358,844)	(488,866)
Income tax (expense) / benefit		(9,058)	-
Profit (loss) for the period		(367,902)	(488,866)
Basic (loss) per share (cents per share)		(0.24)	(0.38)
Diluted (loss) per share (cents per share)		(0.24)	(0.38)

The above Condensed Income Statement is to be read on conjunction with the accompanying notes.

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	Consolidated	
		31/12/2008	30/6/2008
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,381,767	3,324,309
Trade and other receivables		10,352	161,029
Other current assets		104,447	141,894
Total Current Assets		1,496,566	3,627,232
Non-current Assets			
Plant and equipment		110,622	126,849
Intangible assets		416,663	427,309
Exploration and evaluation costs	5	8,067,832	7,623,899
Total Non-current Assets		8,595,117	8,178,057
TOTAL ASSETS		10,091,683	11,805,289
LIABILITIES			
Current Liabilities			
Trade and other payables		153,294	1,597,827
Provisions		140,032	49,696
Total Current Liabilities		295,326	1,647,523
Non-current Liabilities			
Provisions		-	20,905
Total Non-current Liabilities		-	20,905
TOTAL LIABILITIES		295,326	1,668,428
NET ASSETS		9,796,357	10,136,861
EQUITY			
Contributed equity	6	23,150,691	23,141,633
Share based payment reserve		138,510	210,380
Accumulated losses		(13,492,844)	(13,215,152)
TOTAL EQUITY		9,796,357	10,136,861

The above Balance Sheet should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Contributed Equity \$	Accumulated Losses \$	Consolidated Share based Payments Reserve \$	Total \$
Balance at 1 July 2008	23,141,633	(13,215,152)	210,380	10,136,861
Net loss for the period	-	(367,902)	-	(367,902)
Total income and expenses for the period	-	(367,902)	-	(367,902)
Share-based payments	-	-	18,340	18,340
Options cancelled	-	90,210	(90,210)	-
Income tax on items recognised directly In equity	9,058	-	-	9,058
Balance at 31 December 2008	<u>23,150,691</u> =====	<u>(13,492,844)</u> =====	<u>138,510</u> =====	<u>9,796,357</u> =====
Balance at 1 July 2007	19,872,732	(12,239,593)	219,085	7,852,224
Net loss for the period	-	(488,866)	-	(488,866)
Total income and expenses for the period	-	(488,866)	-	(488,866)
Exercise of share options	45,000	-	-	45,000
Transfer from share-based payments reserve	12,873	-	(12,873)	-
Share-based payments	-	-	1,439	1,439
Options cancelled	-	22,180	(22,180)	-
Balance at 31 December 2007	<u>19,930,605</u> =====	<u>(12,706,279)</u> =====	<u>185,471</u> =====	<u>7,409,797</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 2008

	Note	Consolidated	
		31/12/2008	31/12/2007
		\$	\$
Cash flows from operating activities			
Receipts from customers		270,991	214,569
Payments to suppliers and employees		(603,254)	(539,566)
Interest received		79,597	56,762
Net cash used in operating activities		<u>(252,666)</u>	<u>(268,235)</u>
Cash flows from investing activities			
Petroleum exploration expenditure		(1,689,876)	(300,122)
Expenditure on plant and equipment		-	(66,211)
Net cash used in investing activities		<u>(1,689,876)</u>	<u>(366,333)</u>
Cash flows from financing activities			
Proceeds from share issues		-	45,000
Loans repaid		-	(2,097)
Net cash from financing activities		<u>-</u>	<u>42,903</u>
Net increase (decrease) in cash and cash equivalents		(1,942,542)	(591,665)
Cash assets at the beginning of the period		3,324,309	1,665,879
Cash assets at the end of the period	4	<u>1,381,767</u>	<u>1,074,214</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 2008**

Note 1. Basis of preparation and accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2008 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 consolidated entity 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 2008 and considered together with any public announcements made by Bass Strait Oil Company Ltd during the half-year ended 31 December 2008 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.

(b) Changes in accounting policy

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

(c) 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 using a binomial option pricing model.

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. Where ongoing committed activities cannot be funded by existing financial resources, the Group will either need to raise additional capital or meet its obligations by farmout or partial sale of the company's exploration interests, or subject to negotiation and approval, variation of the minimum work requirements.

The Group may raise capital by any one or a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding share options, and/or a further issue of shares to the public. Should these methods not be considered to be in the best interests of shareholders, then the company's would seek to meet its obligations by either partial sale of the company's interests or farmout.

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 2008 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 cash reserves of the Group at 31 December 2008 and nothing has come to the attention of Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and as set out in Note 1 (d) 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.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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

(d) Going concern

The financial report has been prepared on a going concern basis, which assumes that the consolidated group (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 2008, the Group has cash reserves of \$1,381,767 and exploration permit work commitments with associated indicative costings of \$1,490,000, as set out in Note 7. 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 :

- Meeting its 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.

The Directors believe that there are reasonable grounds to expect the Group will continue to be able to meet its exploration commitments and pay its debts as and when they fall due and payable. However if the options set out above are not ultimately available to the Group, then the Group may not be able to continue as a going concern.

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, such as the write-down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Note 2. Revenue

	Consolidated	
	31/12/2008	31/12/2007
	\$	\$
Loss before income tax includes the following revenue and expenses:		
REVENUE		
Exploration management services	226,926	167,010
Bank interest	57,741	42,759
Royalties received	7,626	-
Total revenue	<u>292,293</u>	<u>209,769</u>
	=====	=====
EXPENSES		
Audit costs	33,500	30,000
Amortisation of intangible assets	10,646	14,583
Computer expenses	4,889	23,668
Consultants fees	34,910	74,087
Depreciation on non-current assets	9,856	9,001
Directors remuneration	81,655	76,300
Exploration expenditure written off	-	784
Insurance	10,310	13,199
Loss on disposal of assets	-	3,064
Marketing	1,149	18,140
Printing and stationery	12,974	10,835
Rent and premises costs	37,056	62,565
Salaries employee benefits and costs	290,584	279,176
Share based payment	18,340	1,439
Stock exchange and registry costs	49,047	42,267
Travel and corporate promotion costs	3,067	2,296
Other expenses from ordinary activities	53,154	37,839
Total expenses	<u>651,137</u>	<u>699,243</u>
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

Note 3. Segment Information

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

Note 4. Cash and Cash Equivalents

	Consolidated	
	31/12/2008	31/12/2007
	\$	\$
For the purposes of the half-year cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	119,501	124,214
Short-term deposits	1,262,266	950,000
	<u>1,381,767</u>	<u>1,074,214</u>
	=====	=====

Note 5. Exploration and Evaluation Assets

Exploration and evaluation expenditure capitalised in the half year to 31 December 2008 amounted to \$443,933 (2008 half year \$275,498). Expenditure in the half year mainly related to the seismic processing and interpretation costs for the Vic/P41 and the Bass Basin Exploration permits.

Capitalised exploration and evaluation costs at 31 December 2008 are \$8,067,832 (June 2008: \$7,623,899).

Note 6. Contributed Equity

	Consolidated	
	31/12/2008	30/6/2008
	\$	\$
Ordinary shares fully paid	23,150,691	23,141,633
	=====	=====
	No.	\$
Movements in ordinary shares on issue		
At 1 July 2007	129,242,468	19,872,732
Share placement on 13 March 2008	25,908,485	3,238,561
Exercise of November 2009 options	300,000	57,873
Costs of share issue	-	(187,902)
Deferred Tax on share issue costs	-	160,369
At 30 June 2008	<u>155,405,953</u>	<u>23,141,633</u>
Deferred Tax on share issue costs	-	9,058
At 31 December 2008	<u>155,405,953</u>	<u>23,150,691</u>
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

Note 7. Commitments and Contingencies

	Consolidated	
	31/12/2008	31/12/2007
	\$	\$
Expenditure commitments		
Within one year	1,490,000	2,227,500
After one year but not more than five years	3,260,000	-
More than five years	-	-
	4,750,000	2,227,500
	=====	=====

Permit commitments comprise minimum work obligations with associated indicative costings for the initial 3 year period of exploration permits (and thereafter annually) and obligations arising from farmin arrangements. The Group is dependent on certain factors to be able to meet these minimum work requirements. These are set out in Note 1(d).

Vic/P41

The current Year 3 commitment of 2D seismic survey has been completed.

Vic/P42

The Vic/P42 joint venture has met or exceeded all permit commitments during the first permit term. A renewal proposal for tenement for a further 5 years has been submitted.

Vic/P47

The Vic/P47 joint venture has met or exceeded all permit commitments during the first permit term. A renewal proposal for tenement for a further 5 years has been submitted.

Vic/P66

The permit was granted on 12 December 2008. The committed work program consists of geological and geophysical studies in Years 1 (\$120,000) and 2 (\$210,000) and a 2D seismic survey in Year 3 (\$450,000).

T/42P

The committed work program consists of Year 4 geological and geophysical studies (\$350,000). Year 4 commenced on 24 February 2009.

T/43P

The committed work program consists of Year 4 geological and geophysical studies (\$350,000). Year 4 commenced on 24 February 2009.

PEP 167

The committed work program consists of a 2D seismic survey (\$670,000) to be completed in Year 2, followed by a well in Year 3 (\$2,600,000). An application for a variation of these commitments has been submitted.

Non-cancellable operating lease commitments

Within one year	71,115	68,381
After one year but not more than five years	210,283	276,943
More than five years	-	-
	281,398	345,324
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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 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. A party with a royalty payment obligation has submitted a methodology for calculating the royalty amounts due, which has resulted in only minimal payments being received by the Group. The methodology for calculating the royalty is in dispute and efforts to resolve the issue are ongoing.

INDEPENDENT AUDITOR'S REVIEW REPORT 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 balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes 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 period.

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 Interim and Other Financial Reports 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 2008 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.

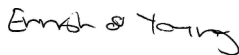
Conclusion

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:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 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*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1 (d) "Going Concern" to the half year financial report, if the consolidated entity is unable to take the steps set out in Note 1 (d), 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 half year financial report. The half year 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.



Ernst & Young



Brett Croft
Partner
Melbourne
3 March 2009