

# **BASS STRAIT OIL COMPANY LTD**

ABN 13 008 694 817

## **HALF-YEAR FINANCIAL REPORT AND DIRECTORS' REPORT**

**31 DECEMBER 2004**

# **BASS STRAIT OIL COMPANY LTD**

ABN 13 008 694 817

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## **CORPORATE DIRECTORY**

### **Directors**

Bernard Wheelahan (Chairman)  
E Geoffrey Albers  
Henry J Askin  
Robert J Flew

### **Company Secretary**

David B Hill  
Level 25, 500 Collins Street  
Melbourne, Victoria 3000 Australia

### **Registered Office**

#### **and Principal Administration Office**

Level 25, 500 Collins Street  
Melbourne, Victoria 3000 Australia  
Telephone +61 (3) 9614 0426  
Facsimile +61 (3) 9629 6278  
Email [admin@bassoil.com.au](mailto:admin@bassoil.com.au)

### **Auditor**

Ernst & Young  
Level 33, 120 Collins Street  
Melbourne, Victoria 3000 Australia

### **Share Registry**

ASX Perpetual Registrars Limited  
Level 4, 333 Collins Street  
Melbourne, Victoria 3000 Australia  
Telephone +61 (3) 9615 9800  
Facsimile +61 (3) 9615 9900

### **Stock Exchange Listing**

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

### **ASX Code: BAS**

### **Incorporated in Victoria**

26 April 1965

**Web Site:** [www.bassoil.com.au](http://www.bassoil.com.au)

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## **DIRECTORS' REPORT**

The Directors of Bass Strait Oil Company ("BAS" or "Company") submit their report for the half-year to 31 December 2004.

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 and non-executive independent director.

E Geoffrey Albers LL.B FAICD, FAIM Chief executive officer.

Henry J Askin B.SC (Hons) Ph.D. Non-executive independent director.

Robert J Flew B Ec (Hons) FAIMM, FAIM Non-executive independent director.

## **OPERATING RESULT**

Profit from ordinary activities for the half-year, after income tax, was \$85,104.

## **EXPLORATION ACTIVITIES**

### **VIC/P47, GIPPSLAND BASIN (BAS 40% and Operator)**

During the half-year Moby-1 was drilled and confirmed a new field gas discovery. Moby-1 achieved its objective with preliminary results supporting the pre-drill model and expectations of the Moby structure as described in the Company's prospectus.

The Moby-1 well was located in offshore permit Vic/P47 approximately 25 km south of Orbost, Victoria. Drilling commenced on 7 October 2004 and the rig was released on 17 October 2004.

Moby-1 was located approximately 5 km east of the producing Patricia Baleen gas field. Based on preliminary analysis of wireline logs, the nature of the gas shows while drilling and the description of the reservoir rock from drill cuttings, the Company believes the Moby-1 reservoir section is comparable to the Patricia Baleen gas reservoirs. Preliminary analysis of gas samples taken indicates a gas composition of predominantly methane, only 1% CO<sub>2</sub> and no H<sub>2</sub>S, which is comparable to gas being produced from the Patricia Baleen field.

The well intersected the gas fluid contact as programmed. This is interpreted as showing that there is extensive gas potential higher on the Moby structure, as at least 105 metres of vertical closure is mapped above the level of the gas fluid contact intersected in Moby-1.

Moby-1 has also confirmed the 3D seismic amplitude as an indicator of the presence of gas, as predicted by the pre-drill interpretation. There is potential for the accumulation to be areally extensive to the south and east beyond existing 3D seismic control. To determine this potential, 148 kms<sup>2</sup> of new 3D seismic coverage over the full Moby prospect was shot in early 2005.

Recent evaluation of all data from the Moby-1 well, including sidewall core samples and petrophysical data, has been completed. Based on analysis of this data, the Moby gas accumulation has been classified as an 'undeveloped reserve' under Society of Petroleum Engineers (SPE) guidelines. Moby recoverable reserves within Vic/P47 are estimated at 60 billion cubic feet (bcf) of gas on a P50 basis. The P50 measure is equivalent to 'Proved and Probable' (or '2P') and is a 'most likely' estimate of the size of the reserve. P50 indicates that there is a 50% probability that there is at least 60 bcf of recoverable gas reserves in the Moby field. The P10 estimate of undeveloped reserves at Moby is 136 bcf. P10 is a 'high side' estimate equivalent to 'Proved, Probable and Possible' (or '3P') indicating a 10% probability that reserves are at least 136 bcf.

The chief uncertainty in the Moby reserves estimates relates to the extent of the accumulation to the east and south of the Moby-1 discovery well. To reduce this uncertainty the \$2 million 148 kms<sup>2</sup> Moby 3D seismic survey in

## **BASS STRAIT OIL COMPANY LTD**

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January 2005 completed 3D coverage over the Moby feature in Vic/P47. The Moby 3D data is now being processed with results expected within 2 to 3 months.

The Moby-1 discovery verified that the 3D seismic amplitude anomaly corresponds to the gas accumulation. However, to date, the known extent of this anomaly has been limited by the lack of 3D coverage over the field. Confirmation from the Moby 3D survey that this anomaly extends significantly to the east and south could allow a further upward revision of the reserves estimate. This would likely lead to the drilling of a Moby-2 appraisal well later this year.

Lakes Oil has elected to drill Gilbert-1 within the Gilbert Blocks (4 graticular blocks) of Vic/P47. BAS will act as operator for the Gilbert-1 well, but will not hold an interest in it.

BAS holds a 40% interest in Vic/P47 (excluding the Gilbert Blocks) following a farmout from Eagle Bay Resources NL and farmin by Moby Oil & Gas Limited, who contributed the first \$3.75 million to the cost of Moby-1 as part of its agreement with BAS.

### VIC/P42, GIPPSLAND BASIN (BAS 50% and operator)

Activity in Vic/P42 focused on the ZaneGrey-1 well where the Ocean Patriot drilling rig commenced drilling late in January 2005.

ZaneGrey was interpreted as a faulted anticlinal structure updip of Nannygai-1, a well drilled in 1972 on older 2D seismic data, which encountered good oil shows and an interpreted 6m of live oil in intra-Latrobe Group sandstones. BAS' evaluation of their 2002 3D seismic data concluded that the Nannygai well may have drilled on the northern closure limit at intra-Latrobe Group levels. It was believed that the prognosed 6m of oil in the Nannygai well may have been part of a more significant accumulation over ZaneGrey.

Because of the location of the oil pipeline connecting Bream production facilities to Kingfish production facilities, the location of the ZaneGrey well had to be offset some 1.7 kilometres from its preferred location. As a result ZaneGrey-1 was drilled as a deviated exploration well with a trajectory of some 32° from the vertical. The well encountered difficulties while drilling but was drilled, to its full target depth of 3700 metres, more than 50 metres below the second target in the well, the Roundhead sandstone.

The main interest in the well was a zone of wet gas shows, trace fluorescence and resistivity anomalies over 21 metres from 3305 metres (2858 vertical metres below sea level). This zone is seen as the equivalent of the interpreted oil bearing sandstones penetrated in the Nannygai-1 well. Despite these positive indicators, formation pressure tests show this interval at the ZaneGrey-1 to mainly contain residual hydrocarbon saturations. However, fluid samples from this zone were also undertaken. The sample from 3307 metres (2860 metres vertical below sea level) recovered light oil from a small amount of interpreted pay encountered in the well. BAS interprets that ZaneGrey-1 intersected the edge of a hydrocarbon accumulation that we believe to be too small to be commercial, at this stage. However, further evaluation will be made of the well data to determine if it may have future commercial potential. The Roundhead sandstone, some 40 metres thick, was found to be water bearing.

BAS also reviewed the existing geological and geophysical data over the 1983 Omeo gas discovery in the west of Permit Vic/P42 to determine whether 3D seismic coverage will be acquired over the feature.

### VIC/P41, GIPPSLAND BASIN (BAS 45% and operator)

A Vic/P41 Oscar survey of 575 kms<sup>2</sup> of 3D seismic was recently recorded using the Western Trident seismic vessel. The survey targeted the area on trend with the Kipper field and to the south of the Sole field in order to evaluate the eastward extension of the Kipper field trend. No 3D seismic has previously been recorded in Vic/P41. This trend is considered prospective, with modern 3D creating the opportunity of identifying Kipper-style prospects using direct hydrocarbon indicators.

Moby Oil & Gas Limited exercised its option to earn a 30% interest in Vic/P41 by contributing \$1 million to the cost of the first 250 kms<sup>2</sup> of 3D seismic data and then pro rata as to 30% for the balance of data.

TL/1, BASS BASIN (BAS 0.0648% over-riding royalty)

The BassGas project is reported as being close to completion and commencement of production is imminent.

**CORPORATE MATTERS**

The Company was listed on the ASX on 30 September 2004 (Code : BAS) following a share issue on 20 August 2004 which raised \$1.6 million and a Prospectus issue which raised \$14.4 million via the issue of 72 million shares at 20 cents each, to a range of institutional and public investors.

**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



E.G Albers  
Director  
Melbourne, 16 March 2005

## **DIRECTORS' DECLARATION**

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

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "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.



**E.G. Albers**  
Director

Melbourne 16 March 2005

**BASS STRAIT OIL COMPANY LTD**

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**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE  
HALF-YEAR ENDED 31 DECEMBER 2004**

	NOTE	CONSOLIDATED 31/12/2004 \$
Revenues from ordinary activities	2	488,393
Expenses from ordinary activities	3	(350,659)
Profit from ordinary activities before income tax expense		137,734
Income tax expense relating to ordinary activities		(52,630)
Net profit from ordinary activities after income tax expense		85,104
Share issue costs		(1,002,676)
Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity		(1,002,676)
Total changes in equity other than those resulting from transactions with owners as owners		(917,572)
Basic earnings per share (cents per share)		0.10
Diluted earnings per share (cents per share)		0.09

**BASS STRAIT OIL COMPANY LTD**

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**CONDENSED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2004**

	NOTE	31/12/2004	CONSOLIDATED 30/6/2004
		\$	\$
<b>CURRENT ASSETS</b>			
Cash assets		9,232,643	103,904
Receivables		1,977,627	30,986
Prepayments		1,201,390	38,494
		-----	-----
<b>TOTAL CURRENT ASSETS</b>		<b>12,411,660</b>	<b>173,384</b>
		-----	-----
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		53,901	85,743
Royalty interest		475,923	475,923
Petroleum exploration costs carried forward		7,213,385	4,187,322
		-----	-----
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,743,209</b>	<b>4,748,988</b>
		-----	-----
<b>TOTAL ASSETS</b>		<b>20,154,869</b>	<b>4,922,372</b>
		-----	-----
<b>CURRENT LIABILITIES</b>			
Payables		461,604	410,930
Provisions		12,700	13,317
		-----	-----
<b>TOTAL CURRENT LIABILITIES</b>		<b>474,304</b>	<b>424,247</b>
		-----	-----
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		497,103	444,473
		-----	-----
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>497,103</b>	<b>444,473</b>
		-----	-----
<b>TOTAL LIABILITIES</b>		<b>971,407</b>	<b>868,720</b>
		-----	-----
<b>NET ASSETS</b>		<b>19,183,462</b>	<b>4,053,652</b>
		=====	=====
<b>EQUITY</b>			
Contributed equity	4	17,949,309	2,904,602
Retained profits		1,234,153	1,149,050
		-----	-----
<b>TOTAL EQUITY</b>		<b>19,183,462</b>	<b>4,053,652</b>
		=====	=====

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2004**

	<b>CONSOLIDATED 31/12/2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	372,534
Payments to suppliers and employees	(6,370,620)
Interest received	68,118
Net cash used in operating activities	<u>(5,929,968)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from share issues	16,047,383
Costs of share issues	(988,676)
Net cash from financing activities	<u>15,058,707</u>
Net decrease in cash assets	9,128,739
Cash assets at the beginning of the half-year	103,904
Cash assets at the end of the half-year	<u><u>9,232,643</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004****NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This general purpose half-year financial report has been prepared in accordance with the Corporations Act, applicable Accounting Standards including AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The financial report has been prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those applied in the 30 June 2004 Annual Financial Report. The financial statements have been prepared on a going concern 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 financial report does not include notes of the type normally found in an annual financial report. This report is the first-half year financial report prepared by the Company, following listing on ASX, and no comparative information is shown in the Statement of Financial Performance, and Statement of Cash Flows and corresponding Notes.

It is recommended that the half-year report is read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements made by Bass Strait Oil Company Ltd during the half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**NOTE 2 REVENUE FROM ORDINARY ACTIVITIES**

Revenues from Operating Activities	
Management services as operator of exploration joint ventures	420,276
Revenues from Non-Operating Activities	
Interest from other persons and corporations	68,117
Total Revenues from Ordinary Activities	<u>488,393</u>

**NOTE 3 EXPENSES AND LOSSES (GAINS) FROM ORDINARY ACTIVITIES**

Administration	16,047
Audit costs	18,800
Depreciation of computer hardware and software	9,552
Directors remuneration	20,056
Interest paid	1,146
Premises costs	22,895
Consultants fees	88,280
Salaries and employee benefits	101,237
Stock exchange and registry costs	22,518
Travel and corporate promotion costs	50,128
Total Expenses from Ordinary Activities	<u>350,659</u>

**NOTE 4 CONTRIBUTED EQUITY****Shares Issued**

During the half year the Company issued the following ordinary shares fully paid:

- (i) 10,000,000 shares on 20 August 2004 at an issue price of 16 cents per share raising \$1,600,000.
- (ii) 72,000,000 shares pursuant to the prospectus offer dated 30 August 2004 at an issue price of 20 cents per share raising \$14,400,000.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

**NOTE 4 CONTRIBUTED EQUITY (cont)**

(iii) 157,944 shares on exercise of options at an issue price of 30 cents per share raising \$47,383.

Share issue costs of \$1,002,676 have been debited to contributed equity.

**Options**

*30 June 2007 Options*

During the half-year 157,056 30 June 2007 options were exercised and at balance date 4,092,056 30 June 2007 options exercisable at a price of 30 cents per share were outstanding.

*30 September 2008 Options*

At balance date 3,400,000 30 September 2008 options exercisable at a price of 25 cents per share were outstanding.

**NOTE 5 SEGMENT INFORMATION**

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

**NOTE 6 CONTINGENT LIABILITIES**

At balance date there were no contingent liabilities which represents no change since the last annual reporting date.

**NOTE 7 SUBSEQUENT EVENTS**

Since balance date the ZaneGrey-1 well has been completed. The Company interprets that ZaneGrey-1 intersected the edge of a hydrocarbon accumulation believed to be too small to be commercial at this stage. Further evaluation will be made of the well data to determine if it may have future commercial potential.

**NOTE 8 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Methanol Australia Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents to International Financial Reporting Standards (IFRS). The Company has allocated internal resources to conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. The Company has established a process whereby solutions have been developed and will shortly be implemented. Priority has been given to considering the preparation of an opening balance sheet in accordance with IFRS. This will form the basis of accounting for IFRS, and is required when the Company prepares its first fully IFRS compliant financial report for the half-year ended 31 December 2005. Set out below are key areas where accounting policies will change and may have an impact on the Company's financial report. The Company has not yet reliably quantified the impacts of changes to the financial report as a result of the adoption of IFRS.

*(a) Impairment of Assets*

Under AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use. This will result in a change in the company's accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs may be greater.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

**NOTE 8 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL  
FINANCIAL REPORTING STANDARDS (cont)**

*(b) Classification of Financial Instruments*

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables- measured at amortised cost, held to maturity - measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost.

This will result in a change in the current accounting policy that does not classify financial instruments. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

*(c) Share Based Payments*

Under AASB 2 *Share Based Payments*, the company will be required to recognise an expense in net profit for the fair value of share rights and options issued to employees as remuneration. It applies to all share rights issued after 7 November 2002 that have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

*(d) Income Taxes*

Under AASB 112 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax-effects of the transactions and other events that affect amounts recognized in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of adoption of this standard.

*(e) Exploration and Evaluation Expenditure*

Under AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Company will be able to “grandfather” the existing accounting treatments employed for exploration and evaluation of mineral resources.

Specifically, AASB 6 provides that entities with exploration and evaluation costs that elect to continue to recognise and measure exploration and evaluation assets in accordance with the accounting policies they applied in their most recent annual financial information will be considered IFRS compliant. However, entities will only be permitted to carry forward exploration and evaluation costs for an area of interest (as per the grandfathering) after having also applied the Australian equivalent of IAS 36 in respect of any impairment of exploration and evaluation assets.

## Independent review report to members of Bass Strait Oil Company Limited

### Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Bass Strait Oil Company Limited (the company) and the entities it controlled during the half-year ended 31 December 2004, and the directors' declaration for the company, for the half-year ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

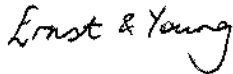
### Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the director's of the company a written Auditor's Independence Declaration.

## Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Bass Strait Oil Company Limited and the entities it controlled during the half-year ended 31 December 2004 is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young

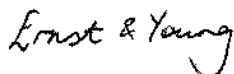


R C Piltz  
Partner

Melbourne  
Date: 16 March 2005

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

In relation to our review of the financial report of Bass Strait Oil Company Limited for the half-year ended 31 December 2004, 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



R C Piltz  
Partner

Date: 16 March 2005