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HALF-YEAR FINANCIAL REPORT

30 June 2019

# CORPORATE DIRECTORY

**ABN:** 13 008 694 817

## Directors

Peter F Mullins, Chairman  
Giustino Guglielmo  
Hector M Gordon  
Mark L Lindh

## Managing Director

Giustino Guglielmo

## Company Secretary

Robyn M Hamilton

## Registered Office and Principal Administration Office

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Melbourne, Victoria, 3000, Australia  
Telephone +61 (3) 9927 3000  
Facsimile +61 (3) 9614 6533  
Email admin@bassoil.com.au

## Auditors

Deloitte Touche Tohmatsu  
11 Waymouth Street  
Adelaide, South Australia, 5000, Australia

## Share Registry

Link Market Services Limited  
Tower 4, 727 Collins Street  
Melbourne, Victoria, 3008, Australia  
Telephone +61 (3) 9615 9800  
Facsimile +61 (3) 9615 9900

## 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](http://www.bassoil.com.au)**

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## Forward Looking Statements

This Half Year Financial 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 Group or not currently considered material by the Group.

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## MANAGING DIRECTOR'S REPORT

During the first half of 2019, your Company achieved a number of key objectives while putting in place an invigorated growth structure for 2019.

### HIGHLIGHTS

(All amounts are in United States dollars)

- **31.2% increase in production to 69,370 barrels (1H CY18 53,000 barrels) from production optimisation and scale remediation activities**
- **26% increase in 1H CY19 sales revenue to \$2.09 million (1H CY18 \$1.66 million) on higher production and prices**
- **\$0.62 million improvement in EBITDA to \$0.36 million<sup>1</sup> (1H CY18 -\$0.26 million), demonstrating cash generation potential of the business**
- **Cash position \$0.77 million as at 30 June 2019**
- **\$515,000 improvement in NPAT to -\$38,844 (1H CY18 -\$554,050)**
- **As of 31 July 2019 Bass debt free after making final deferred payment for Tangai-Sukananti KSO**
- **2019 drilling program to commence shortly with the drilling of the Bunian 5 development well**
- **High impact business development opportunities under advanced evaluation**

### Comparative Performance:

Key Performance Metrics	1H CY19	1H CY18	Change
Net Production (,000 bbls)	69.37	52.87	31.2%
Net Oil Sales (,000 bbls)	68.75	53.61	28.2%
Net Entitlement Oil (,000 bbls)	34.45	25.26	36.4%
Sales Revenue (\$ million)	2.09	1.66	26.0%
Cash (\$ million)	0.77	0.85	-10.1%
EBITDA (\$,000)	364	-257	241.6%
NPAT (\$,000)	-39	-554	93.0%

Total field production for the June half year remains strong, with recorded average production in July in excess of 750 bopd JV share. Half year production averaged 691 bopd up from 527 bopd JV share for the previous half year. This is a result of the production optimisation and scale remediation works undertaken throughout the past year.

Bass produced 69,370 barrels of oil (55% basis) this half year, up 31.2% from the previous half year. Half yearly oil sales were 68,750 barrels of oil net to Bass up 28.2%. The net entitlement oil to Bass was 34,450 barrels for the June quarter after DMO, again up 36.4%.

The Company realised a 26% increase in sales revenue, primarily on the back of increased production. The improved production performance was a key driver to the uplift in EBITDA and NPAT performance.

<sup>1</sup>The adoption of AASB 16 improves EBITDA in 2019 by \$70,114 relative to 2018.

## MANAGING DIRECTOR'S REPORT (cont'd)

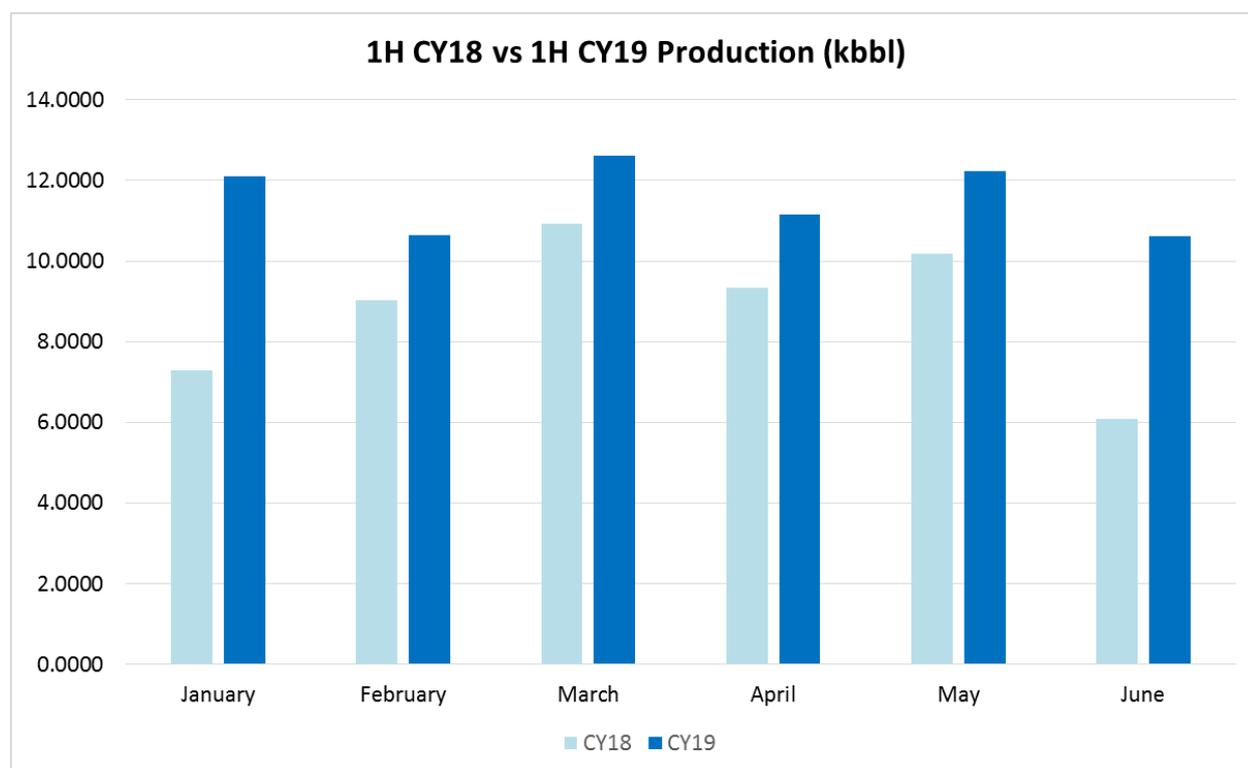


Figure 1: Tangai-Sukananti Historical Production (55% basis)

### Corporate:

#### Cash Position

As at 30 June 2019, Bass cash reserves were \$0.77m. Overall the cash position decreased 10.1% in the June half year due mainly to the Company making the third deferred settlement payment of \$370,000 to Cooper Energy in April 2019.

After 30 June Bass made the final Cooper Energy deferred settlement payment of \$539,000 on 31 July 2019. Bass is now debt free and owns the Tangai-Sukananti asset unencumbered.

#### Capital Raising

On 5 July 2019, the Company announced that it has successfully arranged a A\$0.15m private placement to sophisticated and professional investors through the issue of New Shares at \$0.002 (0.2 cents) per share. The Placement includes a 1 for 2 free attaching option exercisable at \$0.004 on or before 30 July 2021.

In parallel, the Company also announced a A\$2.7 million pro rata non-renounceable entitlement offer of new shares on a 1 for 2 basis, at an issue price of \$0.002 (0.2 cents) per share. The Rights Issue also includes a 1 for 2 free attaching option exercisable at \$0.004 on or before 30 July 2021. The offer closed on 25 July 2019 raising A\$480,000.

The Company is now in the process of placing some, or all, of the shortfall.

## MANAGING DIRECTOR'S REPORT (cont'd)

### Development Planning:

Bass has received tenders for the provision of 750 horsepower capacity drilling rig for the drilling of the Bunian 5 well. The team in Jakarta is negotiating and finalising contract terms and conditions with the preferred tenderer. The aim is to drill the Bunian 5 as soon as the rig is available which is now likely to be October.

Bunian 5 is expected to double production from the field from around 700 bopd to 1,400 bopd, taking up the remaining available production capacity of the field facilities as well as increasing developed reserves.

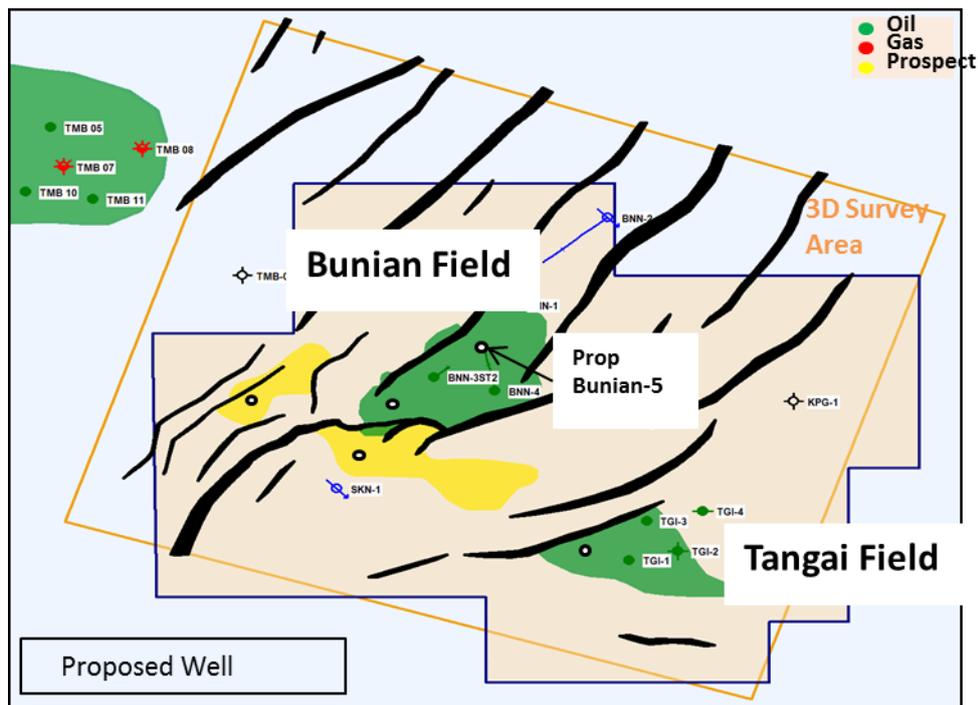


Figure 3: Tangai-Sukananti KSO Producing Oil Fields and Prospects

### Business Development:

Bass continues to evaluate and negotiate on a number of onshore and offshore Indonesian opportunities, as the Company looks to add additional prospective oil properties to its portfolio during 2019.

The very active business development program has a three-tiered strategy designed to create and maximise value through:

1. company transforming acquisitions,
2. material growth exploration opportunities, and
3. optimisation of existing mature fields through the application of proven technologies.

Within Indonesia, there are a number of very high impact oil and gas projects that fall into each of these categories that Bass is in an excellent position to be able to acquire. Bass expects that a combination of these business development opportunities would firmly place the Company in the mid-tier/junior ASX listed oil and gas producer sector, i.e. 2,000-5,000 boepd.

## **MANAGING DIRECTOR'S REPORT (cont'd)**

After several years of successful proven Indonesian operatorship, Bass is highly regarded in-country and has formed deep and strong relationships with local operators and is well known by the Indonesian upstream oil and gas regulator. All of these factors place Bass in an ideal position to successfully execute on this strategy and the Company looks forward to updating the market on these developments at the appropriate time in the future.

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## DIRECTORS' REPORT

The Directors present their report on the results of Bass Oil Limited consolidated entity ("BAS" or "Bass" or "the Company" or "the Group") for the half-year ended 30 June 2019.

### DIRECTORS

The names and details 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 the entire period unless otherwise stated.

Peter F Mullins (Chairman)  
Hector M Gordon  
Giustino (Tino) Guglielmo (Managing Director)  
Mark L Lindh

### PRINCIPAL ACTIVITY

The principal activity of the Group during the year was oil production from low cost oil production assets in Indonesia. The Company realigned its corporate strategy following the acquisition of a 55% interest in the Tangai-Sukananti KSO, which contains producing assets located in the prolific oil and gas region of South Sumatra, Indonesia.

### REVIEW AND RESULTS OF OPERATIONS

A review of operations of the Company can be found in the Review of Operations on page 3.

The Group's operating loss for the half-year ended 30 June 2019 after income tax was \$38,844 (30 June 2018: \$554,050).

### SIGNIFICANT EVENTS AFTER BALANCE DATE

On 5 July 2019 the Group announced that it had arranged a \$150,000 private placement to sophisticated and professional investors through the issue of New Shares at \$0.002 per share. The placement included a 1 for 2 free attaching option exercisable at \$0.004 on or before 30 July 2021. The issue price represented a discount of approximately 33% to the last closing price of \$0.003 and a 10% discount to the 5-day volume weighted average price (VWAP).

In parallel, the Group also announced a pro rata non-renounceable entitlement offer of new shares on a 1 for 2 basis, at an issue price of \$0.002 per share. The Rights Issue included a 1 for 2 free attaching option exercisable at \$0.004 on or before 30 July 2021. The Rights issue closed on 26 July 2019 and \$481,945 was raised. The Directors now have three months to complete the placement of the shortfall.

On 31 July 2019 the Group completed its final payment, of A\$770,000 plus interest, to Cooper Energy Limited for its February 2017 acquisition of a 55% Operator interest in the Tangai-Sukananti licence in the South Sumatra Basin in Indonesia.

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

We have obtained an independence declaration from our auditor, Deloitte Touche Tomatsu, a copy of which is attached to this report.

Signed in accordance with a resolution of the Directors



Chairman  
Melbourne, 2 September 2019

2 September 2019

The Board of Directors  
Bass Oil Limited  
Level 5  
11-19 Bank Place  
MELBOURNE VIC 3000

Dear Board Members

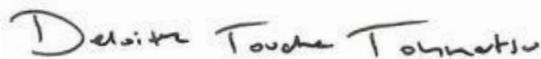
### **Bass Oil Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bass Oil Limited.

As lead audit partner for the review of the financial statements of Bass Oil Limited for the half-year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Darren Hall  
Partner  
Chartered Accountants

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## DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Directors



Peter F Mullins  
Chairman  
Melbourne, 2 September 2019

# CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 30 June 2019

	Note	Consolidated	
		6 months to 30 June 2019 \$	6 months to 30 Jun 2018 \$
<b>Revenue</b>			
Oil revenue		2,089,892	1,659,155
Cost of oil sold		(958,212)	(1,261,601)
Gross profit		1,131,680	397,554
<b>Other income</b>			
Interest received		186	1,322
Operator fees		39,590	39,053
Other income		-	94,664
<b>Total revenue and other income</b>		1,171,456	532,593
Administrative expenses	3	(522,324)	(582,212)
Employee benefits expense		(453,286)	(331,414)
Finance costs	5	(44,863)	(15,206)
<b>Profit/(loss) before income tax</b>		150,983	(396,239)
Income tax expense		(189,827)	(157,811)
<b>Loss for the half year</b>		(38,844)	(554,050)
Other comprehensive loss, net of income tax <i>Items that may be reclassified to profit or loss</i>		-	-
<b>Other comprehensive loss, net of income tax</b>		-	-
<b>Total comprehensive loss for the half year</b>		(38,844)	(554,050)
Basic and diluted (loss)/earnings per share		(0.000)	(0.000)

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

# CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	Consolidated	
		30 June 2019 \$	31 December 2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	767,983	854,117
Trade and other receivables		980,833	1,312,608
Other current assets		59,818	131,060
Inventories		96,723	55,944
Other financial assets		3,939	3,882
<b>Total current assets</b>		<b>1,909,296</b>	<b>2,357,611</b>
<b>Non current assets</b>			
Trade and other receivables		342,791	175,898
Other financial assets		27,312	27,312
Plant and equipment	7	2,931	3,178
Right of use assets	8	240,116	-
Oil properties	9	1,294,887	1,345,408
<b>Total non-current assets</b>		<b>1,908,037</b>	<b>1,551,796</b>
<b>TOTAL ASSETS</b>		<b>3,817,333</b>	<b>3,909,407</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,001,165	751,391
Provisions		114,294	75,587
Provision for tax		849,762	870,624
Lease liabilities		106,441	-
Borrowings	10	540,001	896,366
<b>Total current liabilities</b>		<b>2,611,663</b>	<b>2,593,968</b>
<b>Non current liabilities</b>			
Provisions		33,528	246,896
Lease liabilities		139,372	-
<b>Total non current liabilities</b>		<b>172,900</b>	<b>246,896</b>
<b>TOTAL LIABILITIES</b>		<b>2,784,563</b>	<b>2,840,864</b>
<b>NET ASSETS</b>		<b>1,032,770</b>	<b>1,068,543</b>
<b>EQUITY</b>			
Contributed equity	11	25,731,574	25,728,503
Reserves		3,129,996	3,129,996
Accumulated losses		(27,828,800)	(27,789,956)
<b>TOTAL EQUITY</b>		<b>1,032,770</b>	<b>1,068,543</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

Note	Contributed equity	Accumulated losses	Consolidated Currency translation reserve	Share option reserve	Total
	\$	\$	\$	\$	\$
<b>At 1 January 2018</b>	25,720,096	(27,502,223)	3,129,996	131,882	1,479,751
Net loss for the year	-	(419,615)	-	-	(419,615)
<b>Total comprehensive income for the period</b>	-	(419,615)	-	-	(419,615)
Transfer on expiry and cancellation of options		131,882		(131,882)	-
Tax consequences of share issue costs	8,407	-	-	-	8,407
<b>At 31 December 2018</b>	<b>25,728,503</b>	<b>(27,789,956)</b>	<b>3,129,996</b>	<b>-</b>	<b>1,068,543</b>
<b>At 1 January 2019</b>	25,728,503	(27,789,956)	3,129,996	-	1,068,543
Net loss for the year	-	(38,844)	-	-	(38,844)
<b>Total comprehensive income for the period</b>	-	(38,844)	-	-	(38,844)
Tax consequences of share issue costs	3,071	-	-	-	3,071
<b>At 30 June 2019</b>	<b>25,731,574</b>	<b>(27,828,800)</b>	<b>3,129,996</b>	<b>-</b>	<b>1,032,770</b>

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

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# CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 30 June 2019

	Note	Consolidated	
		30 June 2019 \$	30 June 2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,399,391	1,997,430
Payments to suppliers and employees		(1,798,166)	(2,222,328)
Taxation paid		(207,618)	-
Interest received		186	1,322
<b>Net cash (used in)/provided by operating activities</b>		<b>393,793</b>	<b>(223,576)</b>
<b>Cash flows from investing activities</b>			
Proceeds from other financial assets		-	4,480
Proceeds from oil properties		-	3,282
Oil properties expenditure		(61,268)	-
Purchase plant and equipment		-	(3,357)
<b>Net cash (used in)/provided by investing activities</b>		<b>(61,268)</b>	<b>4,405</b>
<b>Cash flows from financing activities</b>			
Principal elements of lease payments		(65,297)	-
Payment of deferred consideration		(352,800)	(385,596)
<b>Net cash (used in)/provided by financing activities</b>		<b>(418,097)</b>	<b>(385,596)</b>
Net (decrease)/increase in cash and cash equivalents		(85,572)	(604,767)
Net foreign exchange differences		(562)	(12,071)
Cash and cash equivalents at the beginning of the year		854,117	1,607,829
<b>Cash and cash equivalents at the end of the half year</b>		<b>767,983</b>	<b>990,991</b>

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

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# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

## Note 1. Corporate Information

The consolidated financial statements of Bass Oil Limited ("Parent Entity" or "Company") and its controlled entities (collectively as "Consolidated Entity" or "the Group") for the half-year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 2 September 2019.

Bass Oil Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are oil production.

## Note 2. Summary of Significant Accounting Policies

### Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the financial year ended 31 December 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Except where indicated otherwise, all amounts are presented in United States dollars.

### Going Concern

The financial report has been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the financial half-year ended 30 June 2019 the Group incurred a loss after tax of \$38,844 (30 June 2018: \$554,050), had a net cash inflow from operating activities of \$393,793 (30 June 2018: outflow \$223,576) and had a net cash outflow from investing activities of \$61,268 (30 June 2018: inflow \$4,405). At 30 June 2019, the Group has a cash balance of \$767,983 (31 December 2018: \$854,117) and a net current asset deficit of \$702,367 (31 December 2018: deficit of \$236,357).

In July 2019 the Directors made a placement of shares of \$150,000 and commenced an entitlements issue which raised a further \$482,000. The Group is now in discussions with potential investors to subscribe for additional shares as part of the shortfall placement to proceed with the business development opportunities.

The Directors have prepared cash flow forecasts which indicate that the current cash resources will not be sufficient to fund planned drilling commitments, business development opportunities and working capital requirements without the raising of additional funds, and unless additional funding is obtained, exclusive of the placements secured in July 2019, cash resources will be exhausted by 31 December 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

## **Note 2. Summary of Significant Accounting Policies (cont'd)**

The Group will be required to secure additional funding (which may include debt, a pro-rata issue to shareholders and/or placement of shares) of at least \$286,000 by 31 December 2019 for the Group to proceed with the planned drilling programme and business development opportunities through to 30 September 2020.

Based on the Group's cash flow forecast and achieving the funding referred to above, the Directors believe that the Group will be able to continue as a going concern.

If the Group is unable to successfully secure the above additional funding, there is significant uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

### **(a) Statement of Compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards.

### **(b) New Accounting Standards and Interpretations**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2019.

#### **AASB 16 Leases**

The group leases office space in Melbourne and Jakarta. The group also leases office equipment and motor vehicles in Jakarta.

#### *Impact of application of AASB 16 Leases*

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. AASB 16 supersedes the lease guidance including AASB 117 Leases and the related Interpretations when it became effective for the accounting period beginning on 1 January 2019. The date of initial application of AASB 16 for the Company was 1 January 2019.

The Group has chosen the modified retrospective application of AASB 16 in accordance with AASB 16:C8(a). Consequently, the Group will not restate the comparative information.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

#### *Impact of the new definition of a lease*

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

## Note 2. Summary of Significant Accounting Policies (cont'd)

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and Interpretation 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group has applied the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 January 2019. In preparation for the first-time application of AASB 16, the Company has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

### *Operating leases*

AASB 16 has changed how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group has:

- a) Recognised Right-Of-Use assets (ROU Assets) and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under AASB 16 lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities. Previously, lease incentives resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group opted to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 31 December 2018, the Group had non-cancellable lease commitments of \$285,460 after removing arrangements that relate to leases which are of a short-term nature and leases of low-value assets, therefore the Group recognised ROU Assets with a net book value of \$285,460 and corresponding lease liabilities of \$285,460 at 1 January 2019. Rolling these balances forward to 30 June 2019, the Group recorded ROU Assets with a net book value of \$240,116, and corresponding lease liabilities of \$245,813.

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

## Note 2. Summary of Significant Accounting Policies (cont'd)

The impact on profit or loss as at 30 June 2019 is to decrease rent expenses by \$11,602, to increase depreciation by \$56,347, and to increase interest expense by \$14,514.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. The impact of the changes under AASB 16 resulted in an increase in the cashflows from operating activities by \$65,297 and a decrease in cashflows from financing activities by \$65,297.

The Group has made use of the practical expedient to not separate non-lease and lease components at the adoption date (AASB16.15).

*Critical judgements required in the application of AASB 16*

### **Determination of whether it is reasonably certain that an extension or termination option will be exercised**

The Group reflected a reasonable expectation of the period over which the underlying asset will be used as this approach provides the most useful information to the readers of the financial statements.

For lease agreements with 12 months or less remaining from adoption date (1 January 2019), the Group has made an assessment on the terms over which it was reasonably certain to extend the agreements by including lease payments and length of lease.

### **Determination of whether variable payments are in-substance fixed**

For lease agreements subject to lease payments with fixed increases, the Group factored in the fixed increases into its calculation of the lease liability. The Group has no lease agreements subject to lease payments based on a variable index.

*Key sources of estimation uncertainty in the application of AASB 16*

### **Determination of the appropriate rate to discount the lease payments**

The Group estimated the incremental borrowing rates applicable to the lease portfolio, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment, by using a country and asset risk adjusted rate depending on the location and nature of the asset. The incremental borrowing rate applied to leases in Indonesia was 10.95% and the incremental borrowing rate on leases in Australia was 5%.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

Operating lease commitments disclosed at 31 December 2018	754,477
Discounted using the incremental borrowing rate at the date of initial application	534,512
Less: short term leases recognised on a straight line basis as expense	(249,052)
Opening leases at 1 January 2019	<u>285,460</u>

The recognised right of use assets relate to the following types of assets:

Office Premises	116,375
Office Computers	26,455
Motor Vehicles	142,630
Total	<u>285,460</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

## Note 2. Summary of Significant Accounting Policies (cont'd)

### (c) Critical accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These accounting policies have been consistently applied by each entity in the consolidated entity, and the estimates and underlying assumptions are reviewed on an ongoing basis. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

#### (i) Impairment of Oil Property Assets

Oil properties impairment testing requires an estimation of the value in use of the cash generating unit to which deferred costs have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Other assumptions used in the calculations which could have an impact on future years includes available reserves and oil prices.

#### (ii) Useful Life of Oil Property Assets

As detailed at Note 2 (l) in the Annual Report, oil properties are amortised on the Units of Production basis using the latest approved estimate of Proven (1P) Reserves. Amortisation is charged only once production has commenced. No amortisation is charged on areas under development where production has not yet commenced. Estimates of reserve quantities are a critical estimate impacting amortisation of oil property assets.

#### (iii) Estimates of Reserve Quantities

The estimated quantities of Proven and Probable hydrocarbon reserves reported by the Company are integral to the calculation of the amortisation expense relating to oil properties, and to the assessment of possible impairment of these assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Reserves estimates are prepared in accordance with the Company's policies and procedures for reserves estimation which conform to guidelines prepared by the Society of Petroleum Engineers.

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

## Note 3. Administrative Expenses

	Note	Consolidated	
		30 June 2019	30 June 2018
		\$	\$
Audit fees		17,545	13,365
Consultants fees other		152,992	100,677
Corporate related costs		20,206	124,764
Directors' remuneration		69,613	74,611
Foreign exchange losses		9,954	-
Insurance		8,012	16,110
Legal expenses		20,364	21,653
Cost of short term and low value leases		69,409	34,757
Travel		56,674	69,210
Other administrative expenses		97,555	127,065
		<u>522,324</u>	<u>582,212</u>

## Note 4. Depreciation and Amortisation

Depreciation and amortisation included in the profit and loss is as follows:

	Note	Consolidated	
		6 months to 30 June 2019	6 months to 30 June 2018
		\$	\$
Depreciation of plant and equipment	7	261	38
Depreciation of right of use assets	8	56,347	-
Amortisation of oil properties	9	111,789	119,366
		<u>168,397</u>	<u>119,404</u>

## Note 5. Finance Costs

	Note	Consolidated	
		6 months to 30 June 2019	6 months to 30 June 2018
		\$	\$
Interest on borrowings		29,524	-
Interest on leases		13,767	-
Accretion interest		1,572	15,206
		<u>44,863</u>	<u>15,206</u>

## Note 6. Cash and Cash Equivalents

	Note	Consolidated	
		30 June 2019	31 December 2018
		\$	\$
Cash at bank and in hand		767,983	854,117
		<u>767,983</u>	<u>854,117</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

## Note 7. Plant and Equipment

	Note	Consolidated	
		30 June 2019 \$	31 December 2018 \$
<b>Office equipment, furniture and fittings</b>			
Opening balance, net of accumulated depreciation		3,178	1,775
Purchases		-	3,175
Disposals		-	-
Foreign exchange movement		14	(616)
Depreciation charge for the year	4	(261)	(1,156)
Closing balance, net of accumulated depreciation		2,931	3,178
Cost		32,372	32,457
Accumulated depreciation		(29,441)	(29,279)
Net carrying amount		2,931	3,178

## Note 8. Right of use assets

	Consolidated			
	Office Premises	Computers	Motor Vehicles	Total
Balance at 1 January 2019	116,375	26,455	142,630	285,460
Depreciation	(20,315)	(8,206)	(27,826)	(56,347)
Foreign exchange movement	3,575	1,173	6,255	11,003
Balance at 30 June 2019	99,635	19,422	121,059	240,116

## Note 9. Oil Properties

	Note	Consolidated	
		30 June 2019 \$	31 December 2018 \$
Tangai-Sukananti KSO		1,294,887	1,345,408
		1,294,887	1,345,408
<b>Movement in the carrying value of oil properties</b>			
Balance at the beginning of year		1,345,408	1,523,640
Expenditure during the period		61,268	26,834
Disposals during the period		-	(3,895)
Depreciation, depletion and amortisation	4	(111,789)	(201,171)
Balance at the end of year		1,294,887	1,345,408

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

## Note 10. Borrowings

	Note	Consolidated	
		30 June 2019	31 December 2018
		\$	\$
Current		540,001	896,366
Non-current		-	-
		<u>540,001</u>	<u>896,366</u>

The acquisition of Cooper Energy Sukananti Ltd now Bass Oil Sukananti Limited from Cooper Energy Limited was settled on 28 February 2017. A deferred settlement of AUD 2,270,000 was agreed to be repaid by 31 December 2018.

The Company secured an extension for the final two payments. The third payment of AUD 500,000, was paid on 30 April 2019 and the fourth and final payment of AUD 770,000, was deferred until 31 July 2019. In return for the deferral of the final two payments, the Company has agreed to pay Cooper Energy an interest cost of 7.5% per annum on the outstanding AUD 1,270,000, over the period of the deferral.

Apart from the extension interest, the deferred settlement is interest free. The borrowing is secured by a registered charge over the shares the Company holds in Bass Oil Sukananti Limited. The amount due has been recorded at its net present value.

## Note 11. Contributed Equity

	30 June 2019 Shares	31 December 2018 Shares	30 June 2019 \$	31 December 2018 \$
<b>Issued and paid up capital</b>				
Ordinary share fully paid	2,606,167,481	2,606,167,481	25,731,574	25,728,503
<b>Movements in ordinary shares on issue</b>				
Ordinary shares on issue at beginning of period	2,606,167,481	2,606,167,481	25,728,503	25,720,096
Tax consequences of share issues costs	-	-	3,071	8,407
Ordinary shares on issue at end of period	<u>2,606,167,481</u>	<u>2,606,167,481</u>	<u>25,731,574</u>	<u>25,728,503</u>

## Terms and Conditions of Contributed Equity

Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

## Note 12. Related Party Disclosures

### Terms and conditions of transactions with related parties other than KMP

During the year the Group paid corporate advisory and investor relations fees to Adelaide Equity Partners Limited (a director related entity of Mr M Lindh) of \$3,477 (30 June 2018: \$34,522) (under a corporate advisory and investor relations mandate). The fees were provided under normal commercial terms and conditions. Amounts outstanding at balance date were \$3,477 (30 June 2018: \$6,435).

During the year the Group paid rent to Adelaide Equity Partners Limited of \$4,366 (30 June 2018: \$nil) (under a rental of premises mandate). The fees were provided under normal commercial terms and conditions. Amounts outstanding at balance date were \$nil (30 June 2018: \$nil).

The acquisition of Bass Oil Sukananti Limited from Cooper Energy Limited (a shareholder and director related entity) was agreed and approved by shareholders at a Special General Meeting on 13 February 2017. The transaction was settled on the 28 February 2017 with the payment of AUD 500,000 cash and the issue of 180,000,000 ordinary shares, valued at AUD 360,000. Additionally, a deferred settlement of AUD 2,270,000 was agreed to be paid by 31 December 2018. The Company paid the first repayment of AUD 500,000 in December 2017 and the second repayment of AUD 500,000 in June 2018.

The Company secured an extension for the final two payments. The third payment of AUD 500,000, was paid on 30 April 2019 and the fourth and final payment of AUD 770,000, was deferred until 31 July 2019. In return for the deferral of the final two payments, the Company has agreed to pay Cooper Energy an interest cost of 7.5% per annum on the outstanding AUD 1,270,000, over the period of the deferral.

The deferred settlement secured by a registered charge over the shares the Company holds in Bass Oil Sukananti Limited.

## Note 13. Segment Information

For management purposes there is only one operating segment, which is oil production.

The chief operating decision maker only reviews consolidated financial information. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board.

The Board does not currently receive segment Statement of Financial Position and Statement of Comprehensive Income information. For oil production (from the Tangai–Sukananti KSO located in South Sumatra Basin in Indonesia) the Board manages the activity through review of production details, review and approval of the joint venture cash calls and other operational information.

The result for the six months ended 30 June 2019 and for the comparative period was from oil production.

The consolidated entity operates in the oil and gas industry in Indonesia.

The consolidated assets and liabilities as at 30 June 2019 and 31 December 2018 relate to oil production.

For the current financial period, the Group's revenue of \$2,089,892 (30 June 2018: \$1,659,155) was received from the sale of oil in Indonesia to Pertamina EP (the Indonesian State owned oil Company).

## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2019

### Note 14. Subsequent Events

On 5 July 2019 the Group announced that it had arranged a \$150,000 private placement to sophisticated and professional investors through the issue of New Shares at \$0.002 per share. The placement included a 1 for 2 free attaching option exercisable at \$0.004 on or before 30 July 2021. The issue price represented a discount of approximately 33% to the last closing price of \$0.003 and a 10% discount to the 5-day volume weighted average price (VWAP).

In parallel, the Group also announced a pro rata non-renounceable entitlement offer of new shares on a 1 for 2 basis, at an issue price of \$0.002 per share. The Rights Issue included a 1 for 2 free attaching option exercisable at \$0.004 on or before 30 July 2021. The Rights issue closed on 26 July 2019 and \$481,945 was raised. The Directors now have three months to complete the placement of the shortfall.

On 31 July 2019 the Group completed its final payment, of A\$770,000 plus interest, to Cooper Energy Limited for its February 2017 acquisition of a 55% Operator interest in the Tangai-Sukananti licence in the South Sumatra Basin in Indonesia.

The milestone delivers the Company un-encumbered ownership of its 55% interest in the field, ensuring the Company is now debt free, and maintains the Company's momentum to drill its first development well, Bunian-5, in October this year.

## Independent Auditor's Review Report to the members of Bass Oil Limited

We have reviewed the accompanying half-year financial report of Bass Oil Limited and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year as set out on pages 9 to 23.

### *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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 half-year 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 30 June 2019 and their 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 Oil Limited, 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.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bass Oil Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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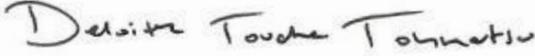
## Conclusion

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 Oil Limited is not in accordance with the *Corporations Act 2001*, including:

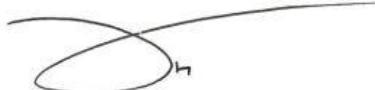
- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax of \$38,844, had a net cash inflow from operating activities of \$393,793 and a net cash outflow from investing and financing activities of \$479,365 during the half-year ended 30 June 2019, and as of that date, the Group had a net current asset deficiency position of \$702,367. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



DELOITTE TOUCHE TOHMATSU



Darren Hall  
Partner  
Chartered Accountants  
Adelaide, 2 September 2019