

## APPENDIX D

**BASS STRAIT OIL TRUST**  
**ABN 76 917 443 470**

### **RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE YEAR ENDED 30 JUNE 2006**

| <b>\$A'000</b>                              |    |        |    |        |
|---|----|--------|----|--------|
| Revenue                                     | up | 8.77%  | to | 44,582 |
| Profit before financing costs               | up | 18.93% | to | 22,582 |
| Profit for the year attributable to members | up | -%     | to | -      |

| <b>Distributions</b>                          | <b>Amount per unit</b> | <b>Franked amount<br/>per unit</b> |
|---|------------------------|------------------------------------|
| Final distribution – record date 30 June 2006 | 23.3483 cents          | -                                  |
| Final distribution – record date 30 June 2005 | 17.3712 cents          | -                                  |

#### **Brief review of results**

Royalty income during the year ended 30 June 2006 related to production for the year to 31 March 2006. Royalty income for the year was 8.8% higher than the previous year as detailed below.

|                             | <b>YEAR ENDED</b> |               | <b>% CHANGE</b>                |
|-----------------------------|-------------------|---------------|--------------------------------|
|                             | March<br>2006     | March<br>2005 | March 2006<br>vs<br>March 2005 |
| Royalty income (A\$'000)    | 44,582            | 40,987        | 8.8%                           |
| Oil production (M.bbls)     | 30.1              | 35.8          | -15.9%                         |
| Average oil price (A\$/bbl) | 82.33             | 59.98         | 37.3%                          |
| Gas (PJ)                    | 238.8             | 262.6         | -9.1%                          |
| LPG (Mt)                    | 1.01              | 1.10          | -8.2%                          |
| Ethane (Mt)                 | 0.202             | 0.217         | -6.9%                          |

**BASS STRAIT OIL TRUST**

**2006 ANNUAL REPORT**

**BASS STRAIT OIL TRUST**  
**ABN 76 917 443 470**

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## **BASS STRAIT OIL TRUST**

### **TRUSTEE'S REPORT**

In accordance with the Corporations Act 2001 ("the Act"), Perpetual Trustee Company Limited, as Trustee for the Bass Strait Oil Trust, (the "Trust"), reports as follows for the year ended 30 June 2006:

#### **The Trustee**

Perpetual Trustee Company Limited has been the Trustee for the Trust for the year ended 30 June 2006.

#### **The Manager**

Bass Strait Oil Management Limited has acted in the capacity of Manager of the Trust for the year ended 30 June 2006.

#### **Directors of the Manager**

The directors of the Manager during or since the end of the year are:

*Alan F Batley AM, Independent (Chairman)*

Age 75, resident Sydney. Appointed Director of the Manager of the Trust on 27 March 1997. Director of Cairn Energy Asia Pty Limited.

*Alison F Macartney*

Age 57, resident Sydney. Appointed Director of the Manager of the Trust on 25 September 2002. Director of BIL Australia Pty Limited and its subsidiaries and Director of Australian Consolidated Investments Pty Limited.

*Philip J Gunn*

Age 36, non resident. Appointed Director of the Manager of the Trust on 15 September 2004. Director of BIL Australia Pty Limited, Australian Consolidated Investments Pty Limited and the Chief Financial Officer of BIL International Ltd.

While the remainder of the Board is not independent of the Manager, the Trustee and Manager consider the composition and size appropriate to the needs of the Trust.

The Trustee and Manager do not consider a nomination committee or remuneration committee necessary for the nature of the Trust.

#### **Company Secretary of the Manager**

Ms Alison F Macartney was appointed to the position of company secretary of the Manager in September 2002. Currently Ms Macartney serves as a director of BIL Australia Pty Limited and its subsidiaries and Australian Consolidated Investments Pty Limited.

#### **Principal Activity**

The principal activity of the Trust is its interest in the Weeks Royalty which includes an entitlement to 55.11% of royalty payments currently made by BHP and Esso under the terms of a 2.5% overriding royalty, known as the Bass Strait Royalty, on the gross value of all hydrocarbons produced and recovered from designated areas in Bass Strait.

## BASS STRAIT OIL TRUST

### TRUSTEE'S REPORT (Continued)

#### Operating and financial review

The profit before financing costs of the Trust for the year was \$22,582,000 (2005: \$18,987,000).

Royalty income during the year ended 30 June 2006 related to production for the year to 31 March 2006. Royalty income for the year was 8.8% higher than the previous year as detailed below.

|                             | YEAR ENDED    |               | % CHANGE                       |
|-----------------------------|---------------|---------------|--------------------------------|
|                             | March<br>2006 | March<br>2005 | March 2006<br>vs<br>March 2005 |
| Royalty income (A\$'000)    | 44,582        | 40,987        | 8.8%                           |
| Oil production (M.bbls)     | 30.1          | 35.8          | -15.9%                         |
| Average oil price (A\$/bbl) | 82.33         | 59.98         | 37.3%                          |
| Gas (PJ)                    | 238.8         | 262.6         | -9.1%                          |
| LPG (Mt)                    | 1.01          | 1.10          | -8.2%                          |
| Ethane (Mt)                 | 0.202         | 0.217         | -6.9%                          |

The gross royalties received for the half year to 31 December 2005 totalled A\$23,309,000 (2004: A\$22,344,000) which represented a distribution of 52.9737 cents per redeeming ordinary unit comprising 25 cents capital redemption and 27.9737 cents income.

The gross royalties received for the half year to 30 June 2006 totalled A\$21,273,000 (2005: A\$18,643,000) which represented a distribution of 48.3483 cents per redeeming ordinary unit comprising 25 cents capital redemption and 23.3483 cents income.

#### Distributions

During the year, the following income distributions were declared in accordance with the terms of the Trust Deed:

*In respect of distributions declared during the year:*

Declared on 30 May 2006 for payment 17 July 2006:

|                      |                                 |
|----------------------|---------------------------------|
| Ordinary unitholders | 23.3483 cents per ordinary unit |
| Residual unitholders | 5.0065 cents per residual unit  |

Declared on 30 November 2005 for payment 16 January 2006:

|                      |                                 |
|----------------------|---------------------------------|
| Ordinary unitholders | 27.9737 cents per ordinary unit |
| Residual unitholders | nil cents per residual unit     |

*In respect of distributions declared during the previous year:*

Declared on 31 May 2005 for payment 15 July 2005:

|                      |                                 |
|----------------------|---------------------------------|
| Ordinary unitholders | 17.3712 cents per ordinary unit |
| Residual unitholders | 4.4440 cents per residual unit  |

Declared on 1 December 2004 for payment 17 January 2005:

|                      |                                 |
|----------------------|---------------------------------|
| Ordinary unitholders | 25.7820 cents per ordinary unit |
| Residual unitholders | nil cents per residual unit     |

## **BASS STRAIT OIL TRUST**

### **TRUSTEE'S REPORT (Continued)**

#### **Capital Redemption**

The following capital redemption payments of 25 cents per ordinary unit were declared in accordance with the terms of the Trust Deed:

*In respect of distributions declared during the year:*

- Declared on 30 May 2006 and included with the income distribution paid on 17 July 2006; and
- Declared on 30 November 2005 and included with the income distribution paid on 16 January 2006.

*In respect of distributions declared during the previous year:*

- Declared on 31 May 2005 and included with the income distribution paid on 15 July 2005; and
- Declared on 1 December 2004 and included with the income distribution paid on 17 January 2005.

The face value of listed ordinary units will reduce to \$nil arising from the payment of two instalments ending on 16 July 2007 at which time, subject only to any remaining rights to Abnormal distributions relating to the pre-redemption period, the listed units are redeemed automatically in accordance with the Trust Deed. Ordinary Unitholders will have no further interest in the assets or income of the Trust. At this time it is anticipated that the Trust will be delisted.

#### **Likely Developments**

It is not foreseen that the Trust will undertake any change in its general direction during the coming financial year. It is anticipated that the Trust will delist on final capital payment to ordinary unitholders on 16 July 2007.

#### **State of Affairs**

In the opinion of the Trustee there were no significant changes in the state of affairs of the Trust that occurred during the year under review.

#### **Environmental Regulation**

The Trust's operations are limited to the receipt and distribution of the Weeks Royalty. It is not in itself directly exposed to any environmental regulation under Commonwealth or State legislation from its operations.

#### **Events Subsequent to Reporting Date**

There has not arisen in the interval between the end of the financial year and to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustee, to affect significantly the results of the operation of the Trust in future financial years.

#### **Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 5 and forms part of the Trustee's Report for the year ended 30 June 2006.

## **BASS STRAIT OIL TRUST**

### **TRUSTEE'S REPORT (Continued)**

#### **Indemnification and Insurance of Officers and Auditors**

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the Manager, the Trustee, or auditor of the Trust. So long as the officers of both the Manager and the Trustee act in accordance with the Trust Deed and the Act, both parties remain fully indemnified out of the assets of the Trust against any losses incurred while acting on behalf of the Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

#### **Rounding Off**

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and trustee's report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

For and on behalf of Perpetual Trustee Company Limited (ABN 42 000 001 007)

Chris Green  
**Head of Debt Markets**  
Sydney, 9 August 2006

John Gallagher  
**Senior Manager – Debt Markets**  
Sydney, 9 August 2006

**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To: The Trustees of the Bass Strait Oil Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**KPMG**

A W Young  
**Partner**  
Sydney, 9 August 2006



## **BASS STRAIT OIL TRUST**

### **CORPORATE GOVERNANCE STATEMENT**

For the year ended 30 June 2006

This statement outlines the main corporate governance practices in place throughout the financial year. The Trust has reviewed the ASX Corporate Governance Council recommendations and considers that it is in compliance with the guidelines that are relevant to an entity of the size and nature of the Trust.

The Manager is responsible for the overall corporate governance of the Trust.

#### **Responsibilities of the Manager**

The duties and obligations of the Manager include:

- Use its best endeavours to carry on and conduct its business and the undertaking of the Trust in a proper and efficient manner;
- Exercise its powers and perform its functions under the Trust Deed diligently and in the best interests of all unitholders and, subject to this obligation, treating unitholders of the same class equally and of different classes fairly;
- Manage and administer the affairs of the Trust in accordance with the provisions of the Trust Deed;
- Keep proper books of account in relation to the interests of the unitholders, ensuring that they comply with the Corporations Act 2001 ("the Act") and regulations and, together with the Trustee, cause the accounts to be audited in accordance with the Act;
- Prepare all notices and reports to be issued to the unitholders;
- Maintain the unitholders' register;
- Liaise with the Trustee and ensure the Trustee is fully informed of the Trust's activities; and
- For so long as it may be required under the Act, it will strive to ensure that an approved deed (as defined in Section 1066 of the Act) is in force at all times during the operation of the Trust.

The Manager fulfils its primary responsibilities through the operation of a Board of Directors, Audit Committee and internal control framework.

#### **Board of Directors**

The Manager's Board of Directors is responsible for the overall Corporate Governance of the Manager. The Board meets on a regular basis to discuss relevant issues.

The Directors of the Manager in office at the date of this statement are as follows:

A F Batley AM, (Chairman)  
A F Macartney  
P J Gunn

The Directors consider that the Board is of a size and composition to ensure that relevant issues can be dealt with at Board level.

## **BASS STRAIT OIL TRUST**

### **CORPORATE GOVERNANCE STATEMENT (Continued)**

For the year ended 30 June 2006

#### **Audit Committee**

The Audit Committee's role is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the Manager in the operation of the Trust.

The members appointed to the Committee are:

A F Batley, AM (Chairman)  
A F Macartney

The external auditors are invited to attend all Audit Committee Meetings and members of management or others may be in attendance as the Committee deems necessary.

The responsibilities of the Committee include:

- Reviewing the Trust's financial statements and other unitholder information distributed externally;
- Reviewing external audit reports of the Trust and the Manager to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and remedial action is taken by management;
- Monitoring the Manager's procedures to ensure compliance with the Trust Deed, the Act, the ASX listing rules and any matters outstanding with the Australian Securities and Investments Commission and Australian Stock Exchange;
- Monitoring the quality of the Manager's accounting and finance function in relation to the Trust;
- Reviewing compliance with statutory responsibilities of the Trust and the Manager;
- Reviewing compliance with terms and conditions of the dealer's licence;
- Recommending to the Trustee the appointment of external auditors; and
- Reviewing the performance of the external auditors on an annual basis and meeting with them during the year to discuss audit planning and hold special meetings as required. The external auditors were appointed in May 1997. It is policy to rotate the audit engagement partner at least every 5 years. The current audit partner was appointed during the current financial year.

#### **Independent Professional Advice**

The Manager will seek independent legal advice as it considers appropriate in the conduct of the Trust.

Where the Manager has sought independent professional advice it is entitled to be reimbursed for these expenses out of the Trust Fund, where reasonably and properly incurred in connection with the performance of its obligations under the Trust Deed. Pursuant to the Deed relating to Trust Expenses, such expense is to be met from trust income to which the residual unitholders are entitled or, if this is insufficient, by ACIPL.

## **BASS STRAIT OIL TRUST**

### **CORPORATE GOVERNANCE STATEMENT (Continued)**

#### **Ethical Standards**

All Directors and executives are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Trust.

To ensure that high ethical standards are maintained, the Manager has a compliance manual which outlines the role of the Manager and the functions it is to perform in compliance with the Corporations Act 2001 and the Trust Deed.

#### **ASX Listing Rules Compliance**

The Manager monitors the day to day operations of the Trust and seeks legal advice where necessary to ensure compliance with the ASX Listing Rules.

#### **Financial Reporting**

The Manager has declared in writing to the Trustee that the Trust's financial reports are founded on a sound system of risk management and internal compliance and that the controls have operated effectively for the financial year.

#### **Trading in Trust's Securities**

The executive directors are not permitted to trade in the Trust's Securities at any time. While there are no restrictions on the Independent Chairman, he has not traded in the securities since his initial subscription and allotment of 20,000 ordinary redeeming units in July 1997.

#### **Unitholders**

##### ***Unitholder Reporting***

The Manager and Trustee aim to ensure that the unitholders are informed of all major developments affecting the Trust's state of affairs. Information is communicated to unitholders through the following documents:

- Annual financial statements including details of the operations of the Trust during the year and changes in the state of affairs of the Trust in addition to the other disclosures required by the Act, the Trust Deed and applicable Australian Accounting Standards are required to be sent to each unitholder; and
- Half-yearly financial statements containing summarised financial information and a review of the operations of the Trust during the half year are also required to be sent to each unitholder.

##### ***Unitholder Meetings***

The Trust Deed, the Act and Corporations Regulations prescribe the manner and circumstances in which a unitholders' meeting may be convened and regulate voting by unitholders.

The unitholders are responsible for voting on the appointment of the Manager and the Trustee. A change in the appointment of either the Manager or the Trustee is subject to a vote by the unitholders as set out in the terms of the Trust Deed.

## **BASS STRAIT OIL TRUST**

### **CORPORATE GOVERNANCE STATEMENT (Continued)**

#### **Role of the Trustee**

The Trustee's duties and obligations include:

- Exercising all due diligence and vigilance in carrying out its functions and duties under the Trust Deed and in protecting the rights and interests of the unitholders and in performing its functions and exercising its powers under the Trust Deed in the best interests of all unitholders; and
- Taking all reasonable steps necessary to become informed of the exercise by the Manager of its powers and the performance of its functions under the Trust Deed.

The Manager may be removed at the request of the Trustee in certain circumstances if the Manager fails to comply with the requirements of the Act or the Trust Deed.

## BASS STRAIT OIL TRUST

### REMUNERATION REPORT

#### Remuneration of the Manager

Under the Trust Deed, the Manager is not entitled to be remunerated for services out of the Trust Fund.

The Manager is entitled to reimbursement for costs reasonably and properly incurred in connection with the performance of its obligations under the Trust Deed. A Deed relating to Trust Expenses has been entered into between the Manager, its parent company, Australian Consolidated Investments Pty Limited ("ACIPL") and the Trustee to ensure that expenses of the Trust are either met from trust income to which the residual unitholders are entitled or, if this is insufficient, by ACIPL.

#### Remuneration of Directors of the Manager

|            | 2006<br>\$ | 2005<br>\$ |
|------------|------------|------------|
| A F Batley | 49,049     | 29,974     |

Mr Batley receives a director's fee from a related entity of the Manager. No other director of the Manager receives remuneration from the Manager or any other related entity.

#### Remuneration of the Trustee

In accordance with the Trust Deed, the Trustee is entitled to receive an annual fee of 0.05% of the total tangible assets of the Trust with such amount to be up to an amount of \$120,000 (indexed with the consumer price index from June 1997). The fee for the year ended 30 June 2006 was \$143,075 (2005: \$146,206).

## BASS STRAIT OIL TRUST

### INCOME STATEMENT

For the year ended 30 June 2006

|   | Note | 2006<br>\$'000 | 2005<br>\$'000 |
|---|------|----------------|----------------|
| Royalty income  |      | 44,582         | 40,987         |
| Total revenue   |      | 44,582         | 40,987         |
| Amortisation of Royalty                               |      | (22,000)       | (22,000)       |
| <b>Profit before financing costs</b>                  | 4(b) | 22,582         | 18,987         |
| Financial income                                      |      |                |                |
| Interest income                                       |      | 598            | 532            |
| Financial expenses                                    |      |                |                |
| Distributions paid and payable – ordinary unitholders |      | 22,582         | 18,987         |
| Distributions payable – residual unitholders          |      | 598            | 532            |
| Total financial expenses                              |      | 23,180         | 19,519         |
| <b>Net financing costs</b>                            |      | 22,582         | 18,987         |
| <b>Profit for the year</b>                            |      | -              | -              |
| <b>Attributable to:</b>                               |      |                |                |
| Ordinary unitholders                                  |      | -              | -              |
| Residual unitholders                                  |      | -              | -              |
| <b>Profit for the year</b>                            |      | -              | -              |
| <b>Earnings per unit</b>                              | 4(c) |                |                |
| Basic and diluted earnings per unit                   |      | 2006<br>¢      | 2005<br>¢      |
| Ordinary units (1)                                    |      | -              | -              |
| Residual units (2)                                    |      | -              | -              |

(1) The weighted average number of ordinary units used in the earnings per unit calculation was 44,000,000 (2005: 44,000,000).

(2) The weighted average number of residual units used in the earnings per unit calculation was 11,957,870 (2005: 11,957,870).

THE INCOME STATEMENT IS TO BE READ IN CONJUNCTION WITH THE NOTES TO THE FINANCIAL STATEMENTS SET OUT ON PAGES 15 TO 29.

## BASS STRAIT OIL TRUST

### STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 June 2006

|   | 2006<br>\$'000 | 2005<br>\$'000 |
|---|----------------|----------------|
| Net income recognised directly in equity                | -              | -              |
| Profit for the year                                     | -              | -              |
| <b>Total recognised income and expense for the year</b> | -              | -              |
| <b>Attributable to:</b>                                 |                |                |
| Ordinary unitholders                                    | -              | -              |
| Residual unitholders                                    | -              | -              |
| <b>Total recognised income and expense for the year</b> | -              | -              |

THE STATEMENT OF RECOGNISED INCOME AND EXPENSE IS TO BE READ IN CONJUNCTION WITH THE NOTES TO THE FINANCIAL STATEMENTS SET OUT ON PAGES 15 TO 29.

# BASS STRAIT OIL TRUST

## BALANCE SHEET

As at 30 June 2006

|                                      | Notes | 2006<br>\$'000 | 2005<br>\$'000 |
|--------------------------------------|-------|----------------|----------------|
| <b>Current assets</b>                |       |                |                |
| Cash                                 | 9(i)  | 21,872         | 19,175         |
| <b>Total current assets</b>          |       | 21,872         | 19,175         |
| <b>Non-current assets</b>            |       |                |                |
| Intangible asset:                    |       |                |                |
| Weeks Royalty                        | 5     | 201,368        | 223,368        |
| <b>Total assets</b>                  |       | 223,240        | 242,543        |
| <b>Current liabilities</b>           |       |                |                |
| Distribution payable                 |       | 10,872         | 8,175          |
| Capital redemption payable           |       | 11,000         | 11,000         |
| Issued units                         |       |                |                |
| Capital redemption payable           | 6     | 11,000         | 11,000         |
| <b>Total current liabilities</b>     |       | 32,872         | 30,175         |
| <b>Non-current liabilities</b>       |       |                |                |
| Issued units                         |       |                |                |
| Capital redemption payable           | 6     | 11,000         | 33,000         |
| Residual units                       | 6     | 179,368        | 179,368        |
| <b>Total non-current liabilities</b> |       | 190,368        | 212,368        |
| <b>Total liabilities</b>             |       | 223,240        | 242,543        |
| <b>Net assets</b>                    |       | -              | -              |
| <b>Unitholders' funds</b>            |       |                |                |
| Undistributed income                 | 4(b)  | -              | -              |
| <b>Total unitholders' funds</b>      |       | -              | -              |

THE BALANCE SHEET IS TO BE READ IN CONJUNCTION WITH THE NOTES TO THE FINANCIAL STATEMENTS SET OUT ON PAGES 15 TO 29.



## BASS STRAIT OIL TRUST

### STATEMENT OF CASH FLOWS

For the year ended 30 June 2006

|  | Notes | 2006<br>\$'000 | 2005<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Cash flows from operating activities</b>      |       |                |                |
| Royalty received                                 |       | 44,582         | 40,987         |
| <b>Net cash provided by operating activities</b> | 9(ii) | 44,582         | 40,987         |
| <b>Cash flows from financing activities</b>      |       |                |                |
| Interest received                                |       | 598            | 532            |
| Capital redemption paid                          |       | (22,000)       | (22,000)       |
| Distribution paid                                |       | (20,483)       | (17,828)       |
| <b>Net cash used in financing activities</b>     |       | (41,885)       | (39,296)       |
| <b>Net increase in cash held</b>                 |       | 2,697          | 1,691          |
| Cash at the beginning of the financial year      |       | 19,175         | 17,484         |
| <b>Cash at the end of the financial year</b>     | 9(i)  | 21,872         | 19,175         |

THE STATEMENT OF CASH FLOWS IS TO BE READ IN CONJUNCTION WITH THE NOTES TO THE FINANCIAL STATEMENTS SET OUT ON PAGES 15 TO 29.

# BASS STRAIT OIL TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Constitution of the Trust

The Bass Strait Oil Trust (the "Trust") was constituted on 7 May 1997 and will terminate on the later of 31 December 2007 and the date that the Trustee ceases to be entitled to any further royalty receipts. However, unless terminated earlier in accordance with the Trust Deed, or the Deed of Amendment, the Trust will terminate on 7 May 2077.

### 2. Significant Accounting Policies

The Bass Strait Oil Trust is a publicly listed Trust incorporated and domiciled in Australia.

The financial report was authorised for issue by the Trustee on 9 August 2006.

#### (a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*, to the extent applicable to listed unit trusts, and the requirements of the Trust Deed dated 7 May 1997 (as amended). International Financial Reporting Standards ("IFRS") form the bases of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP. The financial report of the Trust also complies with IFRS and interpretations adopted by the International Accounting Standards Board.

This is the Trust's first AIFRS financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB1 *First time adoption of Australian equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Trust is provided in note 14.

#### (b) Basis of Preparation

The Manager and Trustee consider that with the exception of the standards listed below, none of the new or amended standards issued after the initial adoption of AIFRS are applicable to the financial statements of the Trust.

The following standards have been early adopted by the Trust in the preparation of its first time AIFRS financial statements:

- AASB 2004-3 *Amendments to Australian Accounting Standards (December 2004)* amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements*, AASB 124 *Related Party Disclosures* – application date 1 January 2006.
- AASB 2005-1 *Amendments to Australian Accounting Standards (May 2005)* amending AASB 139 *Financial Instruments: Recognition and Measurement* – application date 1 January 2006.
- AASB 2005-5 *Amendments to Australian Accounting Standards (June 2005)* amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004) and AASB 139 *Financial Instruments: Recognition and Measurement* – application date 1 January 2006.

## BASS STRAIT OIL TRUST

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. Significant Accounting Policies (Continued)

##### (b) Basis of Preparation (Continued)

###### Issued standards not early adopted

The following standards and amendments were available for early adoption but have not been applied in these financial statements:

- o AASB 7 *Financial instruments: Disclosure (August 2005)* replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- o AASB 2005-10 *Amendments to Australian Accounting Standards (September 2005)* makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- o AASB 2005-9 *Amendments to Australian Accounting Standards (September 2005)* amending AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 132 *Financial Instruments: Disclosure and Presentation*, and AASB 139 *Financial Instruments*.

The Trust is finalising its analysis of the impacts of each new standard in preparation for their respective first time application date.

The financial report is prepared on the historical cost basis and except where stated does not take into account changing money values or current valuations of non-current assets.

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Trustee's Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of the financial report in conformity with Australian Accounting Standards may require the Trustee and Manager 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## BASS STRAIT OIL TRUST

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. Significant Accounting Policies (Continued)

##### (b) Basis of Preparation (Continued)

In the current and prior year, the Trustee and Manager consider that there were no significant judgements or estimation uncertainty encountered in the preparation of the financial report.

The accounting policies set out below have been applied consistently to all periods presented in the financial report and in preparing an opening AIFRS balance sheet as at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by the Trust.

##### (c) Income and Expenses

###### *Royalty revenue*

Royalty revenue comprises revenue earned from the Weeks Royalty which is calculated with reference to the gross value of hydrocarbons produced by BHP/Esso in the offshore Gippsland Basin. Royalty revenue is recognised as it is received on a quarterly basis in accordance with the royalty distributions.

###### *Interest revenue*

Interest revenue is recognised in the income statement as it accrues.

###### *Expenses*

In accordance with the Trust Deed, expenses of the Trust (other than amortisation of the Weeks Royalty investment) are borne by the Trust from non-royalty income with any shortfall being met by a related entity, Australian Consolidated Investments Pty Limited ("ACIPL"). Additionally, some expenses relating to the operation of the Trust including audit fees, Trustee fees, share registry fees, valuation fees, Australian Stock Exchange fees, royalty expense retentions, and other administration costs have been borne directly by ACIPL. Any such expenses met by ACIPL are not brought to account in the financial statements of the Trust.

###### *Distributions*

Distributions associated with both the ordinary and residual units classified as a liability are recognised as a liability and expensed on an accrual basis. The expenses are classified as financing expenses.

##### (d) Cash and Cash Equivalents

Cash and cash equivalents include deposits held as cash with a bank or financial institution and highly liquid investments which are readily convertible to cash on hand at the Manager's option and which the Manager uses in its day to day management of the Trust's cash requirements.

## **BASS STRAIT OIL TRUST**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **2. Significant Accounting Policies (Continued)**

##### **(e) Intangible asset**

The Weeks Royalty is recorded at cost, which represents the amount recorded under previous GAAP.

The Weeks Royalty is amortised on a straight line basis, such that its carrying value will reflect the estimated residual value of the Weeks Royalty at the date of the redemption of the Ordinary units.

The carrying amount of the asset is reviewed at least semi-annually to determine whether it is in excess of its recoverable amount. If the carrying amount of the asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows of the asset have been discounted to their present value at a weighted average discount rate of 10.3%.

##### **(f) Issued units**

The ordinary and residual units are classified as liabilities as they are redeemable on a specific date. The reclassification under AIFRS from unitholders' funds to liabilities is for accounting disclosure purposes only and does not change the underlying nature, rights or obligations associated with the units.

Ordinary units are recognised at amortised cost which approximates the remaining guaranteed capital redemption payments of the ordinary unit. Residual units are recognised at amortised cost which approximates the original issue value.

The distributions associated with both the ordinary and residual units are recognised in the income statement as financial expenses described as "Distributions payable".

##### **(g) Taxation**

Under current income tax legislation, the Trust is not liable to income tax provided its taxable income and all realised taxable capital gains are fully distributed to unitholders.

##### **(h) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

The royalty received and distributions made by the Trust are not subject to GST.

# BASS STRAIT OIL TRUST

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. Auditors' Remuneration

Auditors' remuneration of \$28,325 (2005: \$27,390) has been paid on the Trust's behalf by ACIPL. This fee includes review procedures for the half year financial statements.

### 4. Distributions

(a) *Distributions paid or payable by the Trust are:*

|                                     | 2006   |            | 2005   |            |
|-------------------------------------|--------|------------|--------|------------|
|                                     | \$'000 | ¢ per Unit | \$'000 | ¢ per Unit |
| <b>Ordinary units</b>               |        |            |        |            |
| Distribution payable – June period  | 10,274 | 23.3483    | 7,643  | 17.3712    |
| Distribution paid – December period | 12,308 | 27.9737    | 11,344 | 25.7820    |
|                                     | 22,582 | 51.3220    | 18,987 | 43.1532    |
| <b>Residual units (i)</b>           |        |            |        |            |
| Distribution payable – June period  | 598    | 5.0065     | 532    | 4.4440     |
| Distribution paid – December period | nil    | nil        | nil    | nil        |
|                                     | 598    | 5.0065     | 532    | 4.4440     |
|                                     | 23,180 |            | 19,519 |            |

(i) The distribution to residual unitholders consists of bank interest less bank charges and Government duties in accordance with the Trust Deed.

### (b) Reconciliation of Undistributed Income

|   | 2006<br>\$'000 | 2005<br>\$'000 |
|---|----------------|----------------|
| Undistributed income at the beginning of the year | -              | -              |
| Profit before financing costs                     | 22,582         | 18,987         |
| Financial income                                  | 598            | 532            |
| Distributions paid and payable                    | (23,180)       | (19,519)       |
| Undistributed income at the end of the year       | -              | -              |

### (c) Reconciliation of Earnings per Unit

As a result of the introduction of AIFRS as set out in Note 14, the issued units in the Trust are now classified as debt and the distributions to unitholders as financing expenses. Accordingly at 30 June 2006, the earnings per unit of the ordinary unitholders of the Trust were \$nil (2005: \$nil) and residual unitholders \$nil (2005: \$nil).

# BASS STRAIT OIL TRUST

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. Intangible asset

|                                | 2006<br>\$'000 | 2005<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Non current</b>             |                |                |
| Weeks Royalty                  |                |                |
| At cost                        | 394,000        | 394,000        |
| Less: accumulated amortisation | (192,632)      | (170,632)      |
|                                | 201,368        | 223,368        |

The net fair value of the Weeks Royalty investment is determined by reference to the risk weighted future revenues that are expected to be derived from the extraction and sale of hydrocarbons by BHP/Esso in the offshore Gippsland Basin and after allowing for future exploration potential using an interest rate of 10.3%. The independent valuation supporting the net fair value assessment was prepared as at 30 June 2006 by Mr George Comanos B. Sc. (Hons) M.A; M.B.A, F. Aus I.M.M, who has assessed the royalty at \$308,000,000 (2005: \$305,000,000) which exceeds the carrying amount of \$201,368,000 (2005: \$223,368,000).

### 6. Issued units

|                                     | No. of<br>units<br>(000's) | 2006<br>\$'000 | No. of<br>units<br>(000's) | 2005<br>\$'000 |
|-------------------------------------|----------------------------|----------------|----------------------------|----------------|
| <b>Units on issue</b>               |                            |                |                            |                |
| <i>Ordinary units</i>               |                            |                |                            |                |
| Units on issue at beginning of year | 44,000                     | 44,000         | 44,000                     | 66,000         |
| Capital redemption paid             |                            | (11,000)       |                            | (11,000)       |
| Capital redemption payable          |                            | (11,000)       |                            | (11,000)       |
|                                     | 44,000                     | 22,000         | 44,000                     | 44,000         |
| <i>Residual units</i>               |                            |                |                            |                |
| Units on issue                      | 11,958                     | 179,368        | 11,958                     | 179,368        |
| Total units on issue at end of year | 55,958                     | 201,368        | 55,958                     | 223,368        |

The ordinary units are redeeming units repayable in 20 equal semi-annual instalments from 15 January 1998. Two instalments each of 25 cents per unit were payable on 17 July 2006 and paid on 16 January 2006, reducing the face value of the units to \$0.50.

The face value of listed ordinary units will reduce to \$nil arising from the payment of two instalments ending on 16 July 2007 at which time, subject only to any remaining rights to Abnormal distributions relating to the pre-redemption period, the listed units are redeemed automatically in accordance with the Trust Deed. Ordinary Unitholders will have no further interest in the assets or income of the Trust. At this time it is anticipated that the Trust will be de-listed.

## BASS STRAIT OIL TRUST

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 6. Issued units (Continued)

The capital repayments are paid out of the royalty income received by the Trust from its investment in the Weeks Royalty. Ordinary units are entitled to semi-annual distributions of any royalty income remaining after the capital repayments have been made. Australian Consolidated Investments Pty Limited ("ACIPL"), a related entity of the Manager of the Trust, has guaranteed the payment to ordinary unitholders of the semi-annual capital repayments should royalty receipts be insufficient to meet those payments. The capital repayments in respect of the 24 million units not held by related entities are secured by a letter of credit from ANZ Bank Limited. The letter of credit does not extend to the 20 million ordinary units held by a related entity. These units are held by PT Limited and cannot be dealt with without the consent of the Trustee and ANZ Bank Limited.

Further information regarding the guarantee is included in the Trust Deed.

The residual units are not redeemable. Holders are entitled to receive any remaining non-royalty income earned by the Trust after the Trustee's and other expenses have been paid from this income. The residual units are non-transferable.

Should a meeting of any class of unitholders be called, each unitholder will be entitled to one vote per unit held within that class.

#### 7. Related Parties

##### *Management Company*

The Manager of the Trust is Bass Strait Oil Management Limited which is a wholly owned and controlled entity of ACIPL.

##### *Directors*

The names of the persons who were Directors of Bass Strait Oil Management Limited during the year are:

A F Batley AM, (Chairman)  
A F Macartney  
P J Gunn

##### *Trustee*

The Trustee during the year was Perpetual Trustee Company Limited.



## BASS STRAIT OIL TRUST

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. Related Parties (Continued)

##### *Related Party Transactions*

Transactions with related parties are set out below:

##### **Manager and Trustee remuneration and payment of Trust expenses**

The Manager receives no remuneration from the Trust for its services.

Net non-royalty income is distributed to Residual unitholders.

Trustee remuneration is calculated in accordance with the Trust Deed at 0.05% per annum of total tangible assets of the Trust, capped at \$120,000 per annum (indexed with the consumer price index from June 1997). The fee for the year ended 30 June 2006 was \$143,075 (2005: \$146,206).

Trustee remuneration and all other Trust expenses (other than amortisation of the Weeks Royalty investment) are borne by the Trust from non-royalty income with any shortfall being met by a related entity, ACIPL.

The following operating expenses have been born directly by ACIPL and Weeks Resources Pty Ltd (a controlled entity of ACIPL) and have not been included in the Income Statement of the Trust.

|                                | 2006<br>\$    | 2005<br>\$      |
|--------------------------------|---------------|-----------------|
| Audit fees                     | 28,325        | 27,390          |
| Australian Stock Exchange fees | 33,983        | 34,091          |
| Legal fees                     | 26,056        | -               |
| Royalty expense retention      | 570,389       | 2,755,500       |
| Share registry fees            | 44,259        | 48,618          |
| Trustee fees                   | 143,075       | 146,206         |
| Valuation fees                 | 90,090        | 109,417         |
| Other administrative costs     | 61,610        | 57,692          |
|                                | <hr/> 997,787 | <hr/> 3,178,914 |

## BASS STRAIT OIL TRUST

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. Related Parties (Continued)

##### *Related Party Transactions (Continued)*

##### **Investing activities**

The Trust has no investment in the Manager, the Trustee or their affiliates.

##### **Unitholder Investing Activities**

Details of holdings in the Trust by the Manager and its related parties are set out below:

|                | Number of<br>units held at<br>30 June 2006 | Interest held in<br>the class of<br>units of the<br>Trust at<br>30 June 2006<br>% | Number of<br>units issued | Number of units<br>purchased/<br>(redeemed)<br>during the year | Interim<br>and final<br>distributions<br>paid during<br>the year (i)<br>(cents per<br>unit) |
|----------------|--|---|---------------------------|--|---|
| Ordinary units | 20,020,000                                 | 45.5  | 44,000,000                | -  | 95.3449   |
| Residual units | 11,957,870                                 | 100.0   | 11,957,870                | -  | 4.4440  |

(i) Total distribution includes the capital redemption payment during the year ended 30 June 2006.

|   | 2006<br>No. of units | 2005<br>No. of units |
|---|----------------------|----------------------|
| Interest of related parties in ordinary units:                        |                      |                      |
| BSOT Pty Limited (held by PT Limited)                                 | 20,000,000           | 20,000,000           |
| AF Batley and FA Murrell as Trustees of the<br>Batley Retirement Fund | 20,000               | 20,000               |
|   | <u>20,020,000</u>    | <u>20,020,000</u>    |

#### 8. Segment Information

The Trust's primary business segment is investing in the Weeks Royalty relating to the oil and gas market. The Trust's royalty income is derived wholly from hydrocarbon production in Australia.

## BASS STRAIT OIL TRUST

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9. Notes to the Statement of Cash Flows

##### *i) Reconciliation of Cash*

For the purposes of the statement of cash flows, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

|   | 2006<br>\$'000 | 2005<br>\$'000 |
|---|----------------|----------------|
| Cash and cash equivalents   | 21,872         | 19,175         |
| <i>ii) Reconciliation of Profit before Financing Costs to Net Cash provided by Operating Activities</i> |                |                |
| Profit before financing costs   | 22,582         | 18,987         |
| Add: Non-cash items:  |                |                |
| Amortisation  | 22,000         | 22,000         |
| Net cash provided by operating activities   | 44,582         | 40,987         |

#### 10. Earnings Per Unit

|  | Ordinary<br>Units<br>2006 | Ordinary<br>Units<br>2005 | Residual<br>Units<br>2006 | Residual<br>Units<br>2005 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Basic and diluted earnings per unit  | -¢                        | -¢                        | -¢                        | -¢                        |
| Weighted average number of units on issue used in the calculation of basic earnings per unit | 44,000,000                | 44,000,000                | 11,957,870                | 11,957,870                |

#### 11. Net Tangible Assets

As a result of the introduction of AIFRS as set out in Note 14, the ordinary and residual units issued by the Trust are now classified as debt and the royalty is classified as an intangible asset. Accordingly at 30 June 2006, the net tangible assets of the Trust were \$nil (2005: \$nil).

## BASS STRAIT OIL TRUST

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12. Additional Financial Instruments Disclosure

##### *(a) Interest Rate Risk Exposures*

The Trust's financial assets and liabilities have the following exposures to interest rate risks:

##### *Cash*

Cash earns interest at floating bank rates. The weighted average interest rate at year end was 5.04% (2005: 4.83%).

##### *Distribution payable, capital redemption payable, issued units*

The above financial assets and liabilities are non interest bearing.

##### *(b) Credit Risk*

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. This risk is controlled by dealing with counterparties with a recognised credit rating or over which the Manager and its parent entities exert significant influence.

##### *(c) Foreign Exchange Risk*

Foreign exchange risk represents the impact on the value of the royalty income stream that arises due to fluctuations in exchange rates. The oil price is denominated in US dollars. These risks are outside the direct control of the Trust and the Manager. The Trust does not seek to hedge or otherwise control these risks.

##### *(d) Commodity Price Risk*

Commodity price risk represents the impact on the value of the royalty income stream that arises due to changes in oil prices. These risks are outside the direct control of the Trust and the Manager. The Trust does not seek to hedge or otherwise control these risks.

##### *(e) Net Fair Values*

Net fair values of financial assets and liabilities are determined by the Trust on the following bases:

##### *Cash, distribution payable, capital redemption payable, issued units*

The carrying amount of these financial instruments approximate net fair value because of their short maturity.

#### 13. Number of Employees

The Trust does not employ any staff.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**14. Explanation of transition to AIFRS**

As stated in significant accounting policies note 2(a), these are the Trust's first annual financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended on 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the Trust's date of transition).

In preparing its opening AIFRS balance sheet, the Trust has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRS has affected the Trust's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**Explanation of material adjustments to the cash flow statement**

Capital redemption and distributions paid were classified as unitholders cash flows under previous GAAP and are reclassified as financing cash flows under AIFRS. There are no other material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous GAAP.

# BASS STRAIT OIL TRUST

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 14. Explanation of transition to AIFRS (Continued) Reconciliation of equity

|                                  |      | Previous<br>GAAP | Effect of<br>transition to<br>AIFRS | AIFRS   | Previous<br>GAAP | Effect of<br>transition to<br>AIFRS | AIFRS   |
|----------------------------------|------|------------------|-------------------------------------|---------|------------------|-------------------------------------|---------|
| \$'000                           | Note |                  | 1 July 2004                         |         |                  | 30 June 2005                        |         |
| <b>Current assets</b>            |      |                  |                                     |         |                  |                                     |         |
| Cash                             |      | 17,484           | -                                   | 17,484  | 19,175           | -                                   | 19,175  |
| <b>Total current assets</b>      |      | 17,484           | -                                   | 17,484  | 19,175           | -                                   | 19,175  |
| <b>Non-current assets</b>        |      |                  |                                     |         |                  |                                     |         |
| Investment:                      |      |                  |                                     |         |                  |                                     |         |
| Weeks Royalty                    | a    | 245,368          | (245,368)                           | -       | 223,368          | (223,368)                           | -       |
| Intangible asset:                |      |                  |                                     |         |                  |                                     |         |
| Weeks Royalty                    | a    | -                | 245,368                             | 245,368 | -                | 223,368                             | 223,368 |
| <b>Total assets</b>              |      | 262,852          | -                                   | 262,852 | 242,543          | -                                   | 242,543 |
| <b>Liabilities</b>               |      |                  |                                     |         |                  |                                     |         |
| Distribution payable             |      | 6,484            | -                                   | 6,484   | 8,175            | -                                   | 8,175   |
| Capital redemption payable       |      | 11,000           | -                                   | 11,000  | 11,000           | -                                   | 11,000  |
| Issued units                     | b    | -                | 11,000                              | 11,000  | -                | 11,000                              | 11,000  |
| <b>Total current liabilities</b> |      | 17,484           | 11,000                              | 28,484  | 19,175           | -                                   | 30,175  |
| <b>Non-current liabilities</b>   |      |                  |                                     |         |                  |                                     |         |
| Issued units                     | b    | -                | 234,368                             | 234,368 | -                | 212,368                             | 212,368 |
| <b>Total liabilities</b>         |      | 17,484           | 245,368                             | 262,852 | 19,175           | 223,368                             | 242,543 |
| <b>Net assets</b>                |      | 245,368          | (245,368)                           | -       | 223,368          | (223,368)                           | -       |

## BASS STRAIT OIL TRUST

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. Explanation of transition to AIFRS (Continued) Reconciliation of equity (Continued)

|                                 |      | Previous<br>GAAP | Effect of<br>transition to<br>AIFRS | AIFRS    | Previous<br>GAAP | Effect of<br>transition to<br>AIFRS | AIFRS |
|---------------------------------|------|------------------|-------------------------------------|----------|------------------|-------------------------------------|-------|
| \$'000                          | Note | 1 July 2004      |                                     |          | 30 June 2005     |                                     |       |
| <b>Unitholders' funds</b>       |      |                  |                                     |          |                  |                                     |       |
| Issued units                    | b    | 245,368          | (245,368)                           | -        | 223,368          | (223,368)                           | -     |
| Undistributed income            |      | -                | -                                   | -        | -                | -                                   | -     |
| <b>Total unitholders' funds</b> |      | <b>245,368</b>   | <b>(245,368)</b>                    | <b>-</b> | <b>223,368</b>   | <b>(223,368)</b>                    |       |

- (a) Consistent with the Trust's accounting policy, the interest in the Weeks Royalty asset is classified as an intangible asset under AIFRS. Under previous Australian GAAP it was recognised as an investment.

The effect in the Trust is to increase intangible assets and reduce investments by the corresponding amount. The intangible asset continues to be amortised on a straight line basis.

- (b) Consistent with the Trust's accounting policy, the ordinary and residual units were reclassified from unitholders' funds to liabilities and the distributions to unitholders are classified as financing expenses. This reclassification is for accounting presentation purposes only and does not change the underlying nature, rights or obligations associated with the units.

The effect in the Trust is to increase non-current liabilities and reduce unitholders funds by the same amount. Distributions associated with both the ordinary and residual units classified as a liability are recognised as a liability and expensed on an accrual basis. This does not impact the determination of distributions payable to unitholders.

## BASS STRAIT OIL TRUST

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. Explanation of transition to AIFRS (Continued)

##### Reconciliation of profit

| \$'000                                       | Note | Previous<br>GAAP | Effect of<br>transition to<br>AIFRS<br>For the year ended<br>30 June 2005 | AIFRS    |
|--|------|------------------|---|----------|
| Royalty income                               |      | 40,987           | -   | 40,987   |
| Total revenue                                |      | 40,987           | -   | 40,987   |
| Amortisation of Royalty                      |      | (22,000)         | -   | (22,000) |
| <b>Profit before financing costs</b>         |      | 18,987           | -   | 18,987   |
| Financial income                             |      |                  |   |          |
| Interest income                              |      | 532              | -   | 532      |
| Financial expenses                           |      |                  |   |          |
| Distributions payable – ordinary unitholders | b    | -                | 18,987  | 18,987   |
| Distributions payable – residual unitholders | b    | -                | 532   | 532      |
| Total financing costs                        |      | -                | 19,519  | 19,519   |
| <b>Net financing costs</b>                   |      | 532              | (19,519)  | (18,987) |
| <b>Profit for the period</b>                 |      | 19,519           | (19,519)  | -        |

#### Earnings per unit (cents)

|                |   |         |           |   |
|----------------|---|---------|-----------|---|
| Ordinary units | b | 43.1532 | (43.1532) | - |
| Residual units | b | 4.4440  | (4.4440)  | - |

#### 15. Key Management Personnel

The key management personnel are considered to be the Board of Directors of the Manager of the Trust. Their remuneration is set out below:

##### Remuneration of Directors of the Manager

Mr A F Batley receives a director's fee of \$49,049 (2005: \$29,974) from a related entity of the Manager. No other director of the Manager receives remuneration from the Manager or any other related entity in relation to the operation of the Trust and the Manager.



## BASS STRAIT OIL TRUST

### TRUSTEE'S DECLARATION

In the opinion of Perpetual Trustee Company Limited, for the Bass Strait Oil Trust, (the "Trust"):

- (a) the financial statements and notes set out on pages 11 to 29 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Trust as at 30 June 2006 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of Perpetual Trustee Company Limited (ABN 42 000 001 007)

Chris Green  
**Head of Debt Markets**  
Sydney, 9 August 2006

John Gallagher  
**Senior Manager – Debt Markets**  
Sydney, 9 August 2006

## BASS STRAIT OIL TRUST

### MANAGER'S DECLARATION

We report that in the opinion of the Manager of the Bass Strait Oil Trust (the "Trust"):

- (a) the financial statements set out on pages 11 to 29 are drawn up so as to give a true and fair view of the performance and cash flows for the year ended 30 June 2006, and the state of affairs at 30 June 2006 of the Trust;
- (b) the Trust has operated during the year ended 30 June 2006 in accordance with the provisions of the Trust Deed dated 7 May 1997 (as amended);
- (c) the register of unitholders has, during the year ended 30 June 2006, been properly drawn up and maintained so as to give a true account of the unitholders of the Trust: and
- (d) the financial statements have been made out in accordance with the provisions of the Corporations Act 2001 and the Trust Deed dated 7 May 1997 (as amended), Australian Accounting Standards and other mandatory professional reporting requirements in Australia.

The executive directors of the Manager have provided declarations pursuant to section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006.

Signed in accordance with a resolution of the directors on behalf of the Manager,  
Bass Strait Oil Management Limited.

A F Batley  
**Director**  
Sydney, 9 August 2006

A F Macartney  
**Director**  
Sydney, 9 August 2006

## INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF BASS STRAIT OIL TRUST

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the income statement, statement of recognised income and expense, balance sheet, statement of cash flows, accompanying notes to the financial statements, the trustee's declaration and the manager's declaration for the Bass Strait Oil Trust (the "Trust") as set out on pages 11 to 31 for the year ended 30 June 2006.

The directors of the manager of the Trust, Bass Strait Oil Management Limited, are responsible for the preparation and true and fair presentation of the financial report 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. The directors of the manager are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*.

#### *Audit approach*

We conducted an independent audit in order to express an opinion to the unitholders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia and the provisions of the Trust Deed dated 7 May 1997 (as amended), a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**Audit opinion**

In our opinion, the financial report of Bass Strait Oil Trust is in accordance with:

- a) the Corporations Act 2001, including:
  - i. giving a true and fair view of the Trust's financial position as at 30 June 2006 and of its performance for the financial year ended on that date; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b) other mandatory professional reporting requirements in Australia; and
- c) the provisions of the Trust Deed dated 7 May 1997 (as amended).

KPMG

A W Young  
**Partner**  
Sydney, 9 August 2006

## BASS STRAIT OIL TRUST

### UNITHOLDER INFORMATION

As at 4 August 2006

#### Distribution of Unitholders by Size of Holdings

|                          |                |         | Number of unitholders |                   |
|--------------------------|----------------|---------|-----------------------|-------------------|
|                          |                |         | Ordinary<br>units     | Residual<br>units |
| 1                        | -              | 1,000   | 1,348                 | 1                 |
| 1,001                    | -              | 5,000   | 2,373                 | -                 |
| 5,001                    | -              | 10,000  | 549                   | -                 |
| 10,001                   | -              | 100,000 | 321                   | -                 |
| 100,001                  | Units and over |         | 8                     | 1                 |
| Total number of holdings |                |         | 4,599                 | 2                 |

Holdings of less than a marketable parcel (322) 101

Percentage of total holdings held by or on behalf of the twenty largest unitholders 58.344%

#### Twenty Largest Holdings of Ordinary Units

|     |                                      | Number of Ordinary units | %      |
|-----|--------------------------------------|--------------------------|--------|
| 1.  | PT Limited                           | 20,000,000               | 45.455 |
| 2.  | National Australia Bank Limited      | 3,500,000                | 7.955  |
| 3.  | Australian Executor Trustees Limited | 261,175                  | 0.594  |
| 4.  | Mr E Masi                            | 209,418                  | 0.476  |
| 5.  | BT (Queensland) Pty Limited          | 205,923                  | 0.468  |
| 6.  | Mr N Dum                             | 202,283                  | 0.460  |
| 7.  | Ferrara Holdings Pty Ltd             | 150,000                  | 0.341  |
| 8.  | Mr EJ White and Mrs BA Greig         | 106,073                  | 0.241  |
| 9.  | Gosford Race Club Limited            | 100,000                  | 0.227  |
| 10. | Sheraton Trial Pty Ltd               | 100,000                  | 0.227  |
| 11. | Knight Marketing Pty Ltd             | 100,000                  | 0.227  |
| 12. | Dr S O'Hagan                         | 94,680                   | 0.215  |
| 13. | Grassfield Holdings Pty Ltd          | 92,000                   | 0.209  |
| 14. | Mr YK and Mrs HYL Chiang             | 90,000                   | 0.205  |
| 15. | MPH Investments Pty Ltd              | 84,074                   | 0.191  |
| 16. | Mr R Lang                            | 80,000                   | 0.182  |
| 17. | Mr MJ Pope and Mr RA Waite           | 80,000                   | 0.182  |
| 18. | Comsec Nominees Pty Limited          | 77,250                   | 0.176  |
| 19. | Adfoam Industries Pty Ltd            | 70,000                   | 0.159  |
| 20. | McNeil Nominees Pty Limited          | 67,800                   | 0.154  |
|     |                                      | 25,670,676               | 58.344 |

#### Residual Unitholdings

|                                    | Number of Residual units |
|------------------------------------|--------------------------|
| Weeks Resources Pty Ltd            | 11,957,868               |
| Bass Strait Oil Management Limited | 2                        |
|                                    | 11,957,870               |

## **BASS STRAIT OIL TRUST**

### **CORPORATE DIRECTORY**

#### **MANAGER**

Bass Strait Oil Management Limited  
ABN 98 077 985 909  
22 Emerstan Drive  
Castle Cove, New South Wales 2069

#### **DIRECTORS OF THE MANAGER**

Alan F Batley AM, (Chairman)  
Alison F Macartney  
Philip J Gunn

#### **COMPANY SECRETARY OF THE MANAGER**

Alison F Macartney

#### **TRUSTEE**

Perpetual Trustee Company Limited  
Level 11  
Angel Place  
123 Pitt Street  
Sydney, New South Wales 2000

#### **SOLICITORS**

Blake Dawson Waldron  
Grosvenor Place  
225 George Street  
Sydney, New South Wales 2000

#### **AUDITORS**

KPMG  
10 Shelley Street  
Sydney, New South Wales 2000

#### **REGISTERED OFFICE**

C/- KPMG  
10 Shelley Street  
Sydney, New South Wales 2000  
Telephone: (02) 9335 7000  
Facsimile: (02) 9299 7077

#### **STOCK EXCHANGE LISTING**

Australian Stock Exchange Limited

#### **REGISTRAR**

Registries Limited  
Level 2  
28 Margaret Street  
Sydney, New South Wales 2000  
Telephone: (02) 9290 9600  
Facsimile: (02) 9279 0664