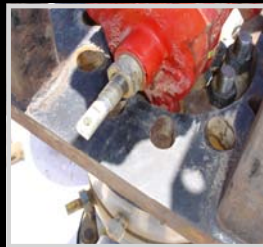




ABN 15 009 212 319

INTERIM HALF-YEAR FINANCIAL REPORT | 31 DECEMBER 2008



REMAINING PRUDENT & FOCUSED

## CORPORATE INFORMATION

### Directors and Officers

Eddie Smith (Executive Chairman)  
John Gillon (Non - Executive Director)  
Les Longden (Non - Executive Director)

### Company Secretary

Ernie Myers

### Registered Office & Principal Place of Business

83 Havelock Street  
West Perth Western Australia 6005

Telephone: +61 8 9214 2500  
Facsimile: +61 8 9214 2511  
Email: [info@iel.com.au](mailto:info@iel.com.au)  
Website: [www.iel.com.au](http://www.iel.com.au)

### Auditors

RSM Bird Cameron Partners  
8 St George's Terrace  
Perth Western Australia 6000

### Bankers

Bank of Western Australia Limited  
108 St Georges Terrace  
Perth Western Australia 6000

### Share Registry

Computershare Investor Services Pty Ltd  
Level 2, 45 St George's Terrace  
Perth Western Australia 6000

Telephone: +61 8 1300 557 010  
Facsimile: +61 8 9323 2033  
Website: [www.computershare.com](http://www.computershare.com)

### Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited  
ASX Code: ITC

### ABN

15 009 212 319

## DIRECTORS' REPORT

The directors present their report together with the consolidated interim financial report of Impress Energy Limited (ITC or the Company) for the half year ended 31 December 2008 and review report thereon.

### DIRECTORS

The names of directors who held office during or since the end of the half-year are as follows:

NAME	TITLE	DATE APPOINTED
Mr Edward S Smith	Executive Chairman	Director since 12 March 2003
Mr John Gillon	Non-Executive Director	Director since 05 September 2000
Mr Les Longden	Non-Executive Director	Director since 07 April 2008

Mr Doug Jendry resigned as director of the Company effective 14 August 2008.

### REVIEW OF OPERATIONS

#### Highlights

- The interim financial report to 31 December 2008 shows six monthly sales revenue of \$3,292,472 compared to \$1,498,355 for the half-year ended 31 December 2007.
- Impress Energy's share of production for the six months to 31 December 2008 was 44,093 barrels of oil compared to 14,305 reported for the six months to 31 December 2007.
- Growler-1 and Growler-2 brought on stream in March 2008. The Extended Production Test (EPT) proved successful and the Joint Venture elected to further appraise the field with three wells.
- Growler-3, Growler-4, and Growler-5 appraisal wells encountered better than expected reservoir section within the oil column and lead to a reserves upgrade.
- Growler-3 and Growler-4 have now been connected to the Growler Central Facilities.
- Growler-3 initial flow tests indicated 1600 BOPD capacity, presently free flowing at 500 BOPD on a restricted choke.
- Growler-4 initial tests indicated 250-300 BOPD well capacity and the well is presently free flowing at 180 BOPD.
- Growler-5 initial tests flowed at a rate of 960 BOPD and will be connected to the Growler Central Facilities in February 2009.
- The field is presently producing at a rate of 900 BOPD which is limited by surface facilities. The Joint Venture has made the investment decision to increase the Growler Facilities to a capacity of 2000 BOPD in March 2009.
- Growler 2P reserves are conservatively calculated to be 1.8 million barrels (Impress Energy share 720,000 barrels).
- The Joint Venture completed 4 commitment wells :-  
 PEL 111: Warhawk-1 is an oil discovery in the Birkhead Formation, but was not tested. The well has been cased and suspended as a future oil producer.

PEL 104: Tigercat-1 is an oil discovery in the Birkhead Formation, and although the well was not tested, comparison of the wireline logs with offset Growler wells indicate possible 200 BOPD flow capacity. The well has been cased and suspended as a future oil producer.

PEL 104: Tigershark-1, and Stormbird-1. Both wells encountered non-commercial oil shows and have been plugged and abandoned.

- Placement and Share Purchase Plan raised \$1.6 million.
- Directors' group provided \$3.5 million funding to the Company.

## PRODUCTION AND DEVELOPMENT

### PPL 213 Mirage Field and PPL 214 Ventura Field (Impress Energy 40% Working Interest)

Mirage and Ventura oil field averaged 80 BOPD (32 BOPD net to Impress Energy) during the reporting period. Impress share of gross production was 5,873 total barrels for the half-year. Though Ventura continues to produce steadily, the Mirage wells are exhibiting natural decline.

In an attempt to reduce the water inflow rate thereby increasing the oil production in Mirage-1 well, the Operator employed Halliburton Services to inject a water inhibiting polymer. Unfortunately there was very little change to the subsequent performance of the well after the treatment.

With the current low oil price we are presently experiencing, coupled with the low level of production from Mirage and Ventura, these operations are very sensitive to any additional cost burdens. During this reported period, due to below surface well damage at Mirage-1, a workover to repair the well was undertaken in addition to the polymer treatment.

The above repair work even though we had received reasonable oil prices in the early part of the reporting period caused the operations at Mirage to suffer a net loss for the present reporting period.

### PRL 15 Growler Oil Field (Impress Energy 40% Working Interest)

With Growler-1 and Growler-2 on pump, and Growler-3 and Growler-4 free flowing from October 2008 to the end of the December reporting period, oil production increased by 280% to a rate of 900 BOPD.

Production for the moment is restricted by a series of bottle necks, in particular production storage tanks. The present facilities were installed solely for the Growler-1 and Growler-2 EPT, which was designed to only handle about 500 BFPD of production.

With the excellent results from the recently drilled three appraisal/development wells, the Joint Venture has given the go ahead to increase the Growler Facilities to enable treatment of 2000 barrels of fluid per day, with a backup of 2500 barrels of additional oil storage.

The facility upgrade, plus additional office and accommodation, is planned to be completed in the first quarter of 2009, with initial production at 1200 BOPD, ramping up to 1500 BOPD in April 2009. This is less than the possible maximum capacity of 2040 BOPD from the Growler Oil Field's productive Birkhead channel sands, and associated structures based on well tests.

## EXPLORATION

During this reporting period, the Joint Venture drilled seven wells which equalled to an exposure of approximately \$6.3 million net to Impress based upon a 'dry hole' outcome. The program included three appraisal wells in licence PRL 15, three commitment wells in PEL 104, and one commitment well in PEL 111. The program represents four additional wells to the Joint Venture's original budget for the 2008 drilling program.

The Joint Venture's exposure to the cost of two additional PEL 104 commitment wells resulted due to the 'fall over' of the agreement with Odin Energy to farm in and drill two wells in PEL 104 with Permian objectives, namely Fokker-1 and Tempest-1. These two wells would have been credited to the Joint Venture as two of the three required commitment wells in this permit.

Out of the three commitment wells drilled by the Joint Venture in PEL 104, we had an oil discovery at Tiger-1 with comparison of the wireline logs with offset wells indicating the possibility of 200 BOPD flow capacity. It is intended to complete and carry out an EPT of Tiger-1 in the third and fourth quarters of this calendar year.

Though oil shows at both Tiger-1 and Stormbird-1 were encountered, the wells were not considered commercial and have been plugged and abandoned.

The drilling of the PEL 111 commitment well Warhawk-1 resulted in an oil discovery in the Birkhead reservoir, but for a number of logistical reasons no oil tests were carried out. The Joint Venture intends to revisit Warhawk-1 near the end of this calendar year.

The Joint Venture went into the 2008 drilling program with the intent to drill only two appraisal wells in PRL 15. However, because of the excellent results from Growler-3 and Growler-4 and as the rig was on site and available, Growler-5 was drilled successfully. Collectively we believe the three wells could deliver about 2000 BOPD.

The Joint Venture as a matter of need of an additional tool to define both geologic structure and channel distribution in the Birkhead Formation reservoir, has approved the acquisition of 3D seismic data in the second and third quarters of 2009 over PEL 104, PEL 111 and PRL 15. Parts of the survey in the Growler, Wirraway and Warhawk areas in particular will be acquired with a higher effort than is normally employed in Cooper Basin 3D seismic surveys, in an effort to image the channels which cannot be seen on the existing 2D seismic. To date, all wildcat wells in the two permits have been drilled on relatively broad spaced 2D seismic grids.

Notwithstanding the relatively sparse seismic coverage, the commercial success rate for all wildcat wells is 36% out of eleven wells drilled. Post drill analysis based on reprocessing of the seismic data indicates 4 of the above wells (including the recent Stormbird-1) did not test a valid structural closure. If these bad tests are discounted the actual success rate is 6 out of 7 wells (86%).

3D seismic control eliminates, to a large degree, invalid structural tests from the well portfolio.

### Forward Activity (Year 2009)

As a matter of priority it is the Joint Venture's intention to complete all things necessary to upgrade the Growler Central Facility to be able to handle the production levels earlier detailed, and dependent upon well performances, increase oil production to at least 1,500 BOPD, with the capability to go to higher levels if justified by well performance. The Joint Venture, in the facility design, has planned for additional water separation and disposal facilities as water cut inevitably increases over field life.

The Operator has advised, subject to weather and availability of equipment, that the Growler Oil Field production should be increased up to 1500 BOPD by April 2009, and dependent upon well performance increased further by June 2009.

The 268 square kilometres of Mollichuta 3D seismic survey will commence in February 2009. Once the processed data is available to the Joint Venture in the third quarter, the future exploration and appraisal drilling program will be determined.

Tigercat-1 (subject to oil price) Extended Production Test (EPT) is planned to commence early in the fourth quarter of 2009.

## CORPORATE AND FINANCE

Even though the Company during the reporting period funded not only the 2008 drilling program, but also the completion of the Growler Central Facility, works associated with Growler-3, 4 and 5 well completions, and well testing and tie ins, the Company's only share related funding was the October 2008 \$1 million placement at 3.8 cents. At the same time a Share Purchase Plan (SPP) with the first \$600,000 underwritten by the Directors at the same price of 3.8 cents per share was put in to place.

The SPP was lightly supported and only raised \$178,000 with the balance of \$422,000 supported from the Directors' \$600,000 underwritten commitment.

It is worth noting that the above was the only share related funding by the Company since December 2007.

Because of the capital markets lack of appetite for fund raising, in August 2008 the Company established a \$2 million draw down facility from Chairman Eddie Smith's Group of companies to fund the increase in both appraisal and commitment drilling, and the follow on well completions, testing, and tie ins.

At the end of this reporting period the Company had drawn down \$1.5 million from the Smith Group.

Subsequently to the end of this reporting period, the Company established an extension to the existing Smith Group draw down facilities of a further \$1.5 million. This will ensure sufficient funding for the company's share of the 268 square kilometres Mollichuta 3D Seismic Survey in 2009.

## OPERATING RESULTS

The interim financial report to 31 December 2008 shows an operating loss of \$1,745,467 compared with a loss of \$1,890,113 for the half-year ended 31 December 2007.

### Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from RSM Bird Cameron Partners, the consolidated entity's auditors. The independence declaration is included at page 5 of the financial report.

Dated at West Perth, 16 February 2009.

This report is signed in accordance with a resolution of the Board of Directors.

**E S SMITH**  
Executive Chairman

# RSM! Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9111  
www.rsmi.com.au

## AUDITOR'S INDEPENDENCE DECLARATION TO THE BOARD OF DIRECTORS OF IMPRESS ENERGY LIMITED

As lead auditor for the review of the financial report of Impress Energy Limited for the half year ended 31 December 2008, 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.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*scubitt*

S C CUBITT  
Partner

Perth, WA

Dated:

*17 February 2009*

# RSM! Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9111  
www.rsml.com.au

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF IMPRESS ENERGY LIMITED

### *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of Impress Energy Limited ("the consolidated entity") which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, accompanying notes to the financial statements and the directors' declaration. The consolidated entity comprises both Impress Energy Limited (the company) and the entities it controlled during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of 31 December 2008, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Impress Energy on 16 February 2008, would be in the same terms if provided to the directors as at the date of this auditor's review report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Impress Energy 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 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Perth, WA

Dated: 17 February 2009

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*SC Cubitt*

S C CUBITT  
Partner

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## DIRECTORS' DECLARATION

In the opinion of the Directors of Impress Energy Limited ("the consolidated entity"):

1. the financial statements and notes set out on pages 9 to 14, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (b) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
3. the Directors have been given the declarations required by Section 295A of Corporations Act 2001 from the Chairman, Company Accountant and the Company Secretary for the half year ended 31 December 2008.

Dated at West Perth, 16 February 2009.

Signed in accordance with a resolution of the Directors.

**E S SMITH**  
**Executive Chairman**

## INCOME STATEMENT

For the period ended 31 December 2008

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$
<b>REVENUE</b>		
Revenue from sale of oil	3,292,472	1,498,355
Interest received	80,328	75,839
Technical fees	-	274,304
Forex gain	88,106	32,368
Other income	2,438	-
Total Revenue	3,463,344	1,880,866
<b>EXPENSES</b>		
Administrative expenses	211,705	349,284
Occupancy expenses	33,379	31,637
Consulting fees	76,555	309,671
Depreciation expenses	9,993	10,527
Borrowing expenses	116,180	35,000
Directors fees	123,988	73,477
Amortisation of oil properties	643,470	451,921
Exploration and evaluation expenditure written off	2,488,703	2,020,975
Production expenses	1,456,137	543,570
Other expenses	(45)	4,839
Share based payments	48,746	(59,922)
Total expenses	5,208,811	3,770,979
Loss before income tax expense	(1,745,467)	(1,890,113)
Income tax expense	-	-
Loss attributable to members of the parent	(1,745,467)	(1,890,113)
Basic earnings per share (cents)	(0.302)	(0.395)
Diluted earnings per share (cents)	(0.302)	(0.395)

*The accompanying notes form part of this interim financial report.*

## BALANCE SHEET

As at 31 December 2008

	Consolidated	
	31 December 2008	30 June 2008
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	1,851,761	2,979,821
Trade and other receivables	1,540,843	1,565,131
<b>Total Current Assets</b>	<b>3,392,604</b>	<b>4,544,952</b>
<b>Non Current Assets</b>		
Receivables	14,019	14,019
Financial assets	2,500	3,500
Plant and equipment	39,234	49,336
Exploration and evaluation expenditure	3,441,219	1,520,927
Oil properties	14,456,962	12,891,364
<b>Total Non Current Assets</b>	<b>17,953,934</b>	<b>14,479,146</b>
<b>Total Assets</b>	<b>21,346,538</b>	<b>19,024,098</b>
<b>Current Liabilities</b>		
Trade payables	814,643	329,259
Provisions	3,431	4,475
<b>Total Current Liabilities</b>	<b>818,074</b>	<b>333,734</b>
<b>Non Current Liabilities</b>		
Provisions	900,000	480,000
Interest bearing liabilities	2,150,929	636,118
<b>Total Current Liabilities</b>	<b>3,050,929</b>	<b>1,116,118</b>
<b>Total Liabilities</b>	<b>3,869,003</b>	<b>1,449,852</b>
<b>Net Assets</b>	<b>17,477,535</b>	<b>17,574,246</b>
<b>Equity</b>		
Contributed equity	40,097,620	38,448,864
Retained Earnings	(22,620,085)	(20,874,618)
<b>Total Equity</b>	<b>17,477,535</b>	<b>17,574,246</b>

*The accompanying notes form part of this interim financial report.*

## CASH FLOW STATEMENT

For the period ended 31 December 2008

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	3,747,573	1,761,682
Payments to suppliers and employees	(2,400,174)	(1,324,929)
Other income	2,438	-
Interest received	80,328	65,840
Interest paid	(93,808)	(35,000)
<b>Net cash flows used in operating activities</b>	<b>1,336,357</b>	<b>467,593</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	110	-
Exploration and development expenditure	(5,652,644)	(3,183,559)
<b>Net cash flows used in investing activities</b>	<b>(5,652,534)</b>	<b>(3,183,559)</b>
<b>Cash flows from financing activities</b>		
Issue of shares	1,600,010	-
Other	1,500,000	540,000
Convertible note costs	-	(35,000)
<b>Net cash flows from financing activities</b>	<b>3,100,010</b>	<b>505,000</b>
<b>Net increase/(decrease) in cash held</b>	<b>(1,216,167)</b>	<b>(2,210,966)</b>
<b>Cash at beginning of the year</b>	<b>2,979,821</b>	<b>3,936,633</b>
<b>Foreign Exchange</b>	<b>88,107</b>	<b>32,368</b>
<b>Cash at end of the year</b>	<b>1,851,761</b>	<b>1,758,035</b>

*The accompanying notes form part of this interim financial report.*

## STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2008

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$
<b>Issued Capital</b>		
Opening balance	38,448,864	35,754,230
Shares issued (net)	1,600,010	-
Share based payments	48,746	(59,922)
Convertible note reserve	-	54,493
Closing balance	<b>40,097,620</b>	35,748,801
<b>Accumulated Losses</b>		
Opening Balance	<b>(20,874,618)</b>	(18,569,360)
(Loss) for the period	<b>(1,745,467)</b>	(1,890,113)
Closing Balance	<b>(22,620,085)</b>	(20,459,473)
<b>Total Equity</b>		
Opening balance	17,574,246	17,184,870
Shares issued (net)	1,600,010	-
Share based payments	48,746	(59,922)
Convertible note reserve	-	54,493
(Loss) for the period	<b>(1,745,467)</b>	(1,890,113)
Closing balance	<b>17,477,535</b>	15,289,328

*The accompanying notes form part of this interim financial report.*

## NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2008

### 1. STATEMENT OF COMPLIANCE

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

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Impress Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

This interim financial report was approved by the Board of Directors on 16 February 2009.

#### Going concern

As disclosed in the financial statements, the consolidated entity recorded a loss of \$1,745,467 and a cash outflow of \$1,216,167 for the six months ended 31 December 2008 and at balance date had net current assets of \$2,574,531. The consolidated entity has commitments to joint venture operations over the next twelve months to 31 December 2009 of \$3,200,000.

The Directors believe after consideration of these financial conditions, that the going concern basis for the consolidated entity is appropriate and recognise that additional funding is required to ensure the consolidated entity can continue its operations, from the twelve month period from the date of this financial report and to fund the continued development of the consolidated entity's exploration and development assets, until February 2010. This basis has been determined after consideration of the following factors:

- The ability to issue additional share capital under the Corporations Act 2001, if required, by a share purchase plan, share placement or rights issue;
- The consolidated entity on 27 January 2009 obtained a drawdown facility of \$1,500,000 to fund the 3D seismic data commitments (refer to Note 6 of this financial report). This resulted in a total facility of \$3,500,000 of which \$1,500,000 had been drawn down as at 31 December 2008;
- Increased revenue being derived from the Growler Oil Field (Growler 1 to 5), that is budgeted at \$10,000,000 for the 12 months to 31 December 2009; and
- The ability, if required to dispose of interests or enter into farm out arrangements in respect of exploration and development assets.

Accordingly, the Directors believe there is a reasonable expectation the consolidated entity will obtain sufficient cash inflows to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

A summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report can be found in the annual financial report for the year ended 30 June 2008.

## NOTES TO THE FINANCIAL STATEMENTS

### For the half-year ended 31 December 2008

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### 3. CONTRIBUTED EQUITY

	<b>Consolidated</b>	
	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
Issued capital: - 590,889,769 (30 June 2008: 548,784,494)	40,097,620	38,448,864
Fully paid ordinary shares	40,097,620	38,448,864

	<b>Issue Price \$</b>	<b>Number of shares</b>	<b>\$</b>
<b>Movements in ordinary share capital:</b>			
<b>Balance 1 July 2008</b>		548,784,494	38,448,864
Share Placement: - 17 October 2008	0.038	42,105,275	1,600,010
Share based payments: - G Smith options vested 31 December 2008		-	48,746
<b>Balance 31 December 2008</b>		590,889,769	40,097,620

#### 4. SEGMENT REPORTING

The consolidated entity operates in the oil and gas business segment in Australia.

#### 5. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

#### 6. EVENTS SUBSEQUENT TO REPORTING DATE

##### Extension to existing \$2 million funding facility January 2009

On 27 January 2009, the Company established an extension to the existing funding facility from the Smith Group of a further \$1.5 million to ensure adequate funding capabilities to allow the Company to participate in the large 268 square kilometres 3D seismic program the Operator has recommended for PEL 104 & PEL 111 and over the Growler Oil Field Production Licence PRL 15.

##### 3D seismic program to commence

On 1 February 2009, the Operator executed the 3D Seismic Agreement and at the same time the Company paid its share (40%) of the \$1.5 million deposit.