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QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2009

ONSHORE PERTH BASIN PROJECTS

Perth Basin Onshore

The company's coal seam gas leases are now 100 per cent owned by Westralian Gas and Power Limited ("WGP") after reverting to the company from the previous joint venture partner. The drilling program for the Kaloorup Road Prospect is well advanced with final well site preparation and access now underway.

The Company will await the outcome of the drilling in DR 10 prior to firming up a date for the drilling of the Rosa Brook wells.

The company is finalising a joint venture agreement on EP 455 in the Perth Basin. It was decided to surrender EP 446 due to the lack of encouraging results and a high expenditure commitment.

Collie / Wilga Basins

The Company has finished reinterpreting old seismic over the eastern portion of the DR13 where a significant thickness of coal is known to exist within the Wilga Basin. The results show thickening of the sedimentary section and more accurately define the western edge of the basin. A new seismic survey planned for the second quarter will more accurately define the eastern boundary and it is anticipated that it will lead to the delineation of a drilling target.

Eneabba DR 11

During the quarter, the Company continues its studies of previous exploration activity and has revised the parameters for the seismic survey planned for this year.

EP 462 Greenough

WGP has decided to surrender this permit because of discouraging exploration results.

OFFSHORE PERTH BASIN

WGP is finalising the termination of the current Offshore Perth Basin joint venture and is negotiating with two potential joint venture partners to continue the exploration program.

KENTUCKY

Production is being maintained at a level to almost cover the field operating overheads of the Company's subsidiary Sunset Energy LLC. With the international oil price stabilising and a global recovery becoming apparent, the Company believes it will be able to attract a joint venture partner or an outright sale of its leases.

CAPITAL RAISING

WGP is considering a number of placement offers to finance its new drilling programme. In addition, the company is considering a share purchase plan.

The company is currently involved in negotiations for a new joint venture with one of its onshore properties and it is anticipated that this will include a fee of some \$200,000 to be paid to the company. WGP also is negotiating to receive a termination fee of \$200,000 from another joint venture partner. WGP will make an announcement on these arrangements when negotiations have been completed.

Peter Briggs
Chairman