

Consolidated Financial Report for the Half-Year to 31 December 2009



CORPORATE DIRECTORY

DIRECTORS: Peter Briggs (Chairman)
Stephen Thomas
Kristian Barnes

COMPANY SECRETARY: Jack Hugh Toby FCA AACS

ABN: 53 109 213 470

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SHARE REGISTRY: **Computershare Investor Services Pty Ltd**
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DIRECTORS' REPORT

The directors of Westralian Gas and Power Limited A.C.N. 109 213 470 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity or Group") for the half-year ended 31 December 2009. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

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

Peter Briggs
Stephen Thomas
Kristian John Barnes

OPERATING RESULTS

The comprehensive operating loss for the Consolidated Entity, after income tax amounted to \$1,467,302.

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Company occurred during the financial half-year:

On 3 July 2009, the Company's options exercisable at \$0.05 each and expiring on 1 October 2011 were quoted on the ASX under the code WGPOA.

On 29 July 2009, the Company announced the results of the Boyup Basin drilling programme. Oswest Energy Pty Ltd drilled 944 metres and intersected a number of coal seams. Samples were sent for analysis and results showed varied qualities of the recovered samples. The best drilling hole recorded was BBRC-004 which intersected one coal seam of two metres, another coal seam of one metre, and one two metre seam of lignite or clayey coal. Coal in this hole had a calorific value of 24.9mj/kg and 0.49 per cent sulphur content and 8.5 per cent ash content. The results are comparable with coals of the Collie Basin. The best seam intersected returned higher calorific values than those reported from Collie.

On 29 July 2009, the Company issued 16,064,616 fully paid ordinary shares for \$0.025 each and 16,064,616 options at an option issue price of \$0.001 per option. The options are exercisable at \$0.05 each and expire on 1 October 2011. The issue of these shares and options was approved at the General Meeting of shareholders held on 25 June 2009.

On 18 September 2009, the Company issued 3,935,384 fully paid ordinary shares for \$0.025 each and 3,935,384 options at an option issue price of \$0.001 per option. The options are exercisable at \$0.05 each and expire on 1 October 2011. The issue of these shares and options was approved at the General Meeting of shareholders held on 25 June 2009.

On 18 September 2009, the Company announced that its joint venture with Oswal Resources Pty Ltd had ended.

On 2 October 2009, the Company announced that Roc Oil Company Limited today gave notice of its intention to withdraw from Exploration Permits WA-381-P and WA-382-P under the Farmin Agreement and not to participate in the drilling of a well in either of the permit areas.



DIRECTORS' REPORT

On 24 December 2009, the Company announced that Oswal Resources Pty Ltd ("Oswal") and the Company had agreed the terms of the termination of their relationship of their joint venture. They agreed to, so far as they can, put themselves in a position reasonably similar to the position they were in before entering the transaction on 30 October 2008 and to that end; the Company shall refund to Oswal two hundred thousand dollars (\$200,000) which represents a refund of the purchase monies paid by Oswal pursuant to the initial acquisition agreement and a further sum of three hundred thousand dollars (\$300,000) (payable over approximately ten (10) months) which represents a reimbursement of a portion of monies spent by Oswal on work it carried out on the Resource Titles ("Resource Titles") the subject of the transaction entered into on 30 October 2008 which included the drilling of wells, acquiring seismic and other data and reviewing existing data ("the Information"); the Company shall retain all the Resource Titles and all the Resource Information the subject of that transaction; and the Company shall have the ownership and the benefit of the Information generated by Oswal and Oswest Energy Pty Ltd on the project since 30 October 2008.

EVENTS SUBSEQUENT TO BALANCE DATE

On 8 February 2010, the Company announced that it had obtained the final approvals necessary to commence its new coal seam gas drilling program at the Koorup Road Prospect in Drilling Reservation 10 near Busselton. Construction of an access road and a drilling pad would begin immediately.

On 17 February 2010, the Company announced that Drilling had commenced at the Company's Koorup Road Prospect near Busselton with the spudding of Koorup Road #2, the first well of a two well program.

On 17 February 2010, the Company issued 15,000,000 fully paid ordinary shares for \$0.023 each and 15,000,000 options at an option issue price of \$0.001 per option. The options are exercisable at \$0.05 each and expire on 1 October 2011. The issue of these shares and options was approved at the Annual General Meeting of shareholders held on 20 November 2009.

On 26 February 2010, the Company announced that the Company and AWE Limited ("AWE") will farm-in for a 90 per cent equity share in Exploration Permit EP 455 in the North Perth Basin. AWE will pay \$200,000 to WGP for the equity share and carry WGP through a gross permit expenditure of up to \$7,500,000 after which AWE will pay 90 per cent and WGP 10 per cent of approved work programs and budget expenditure.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company have provided a signed auditors independence declaration to the directors in relation to the half-year ended 31 December 2009. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.



DIRECTORS' REPORT

Peter Briggs
Director

2 March 2010
Perth, Western Australia



DIRECTORS' DECLARATION

The directors of Westralian Gas and Power Limited A.C.N. 055 719 394 ("Company") declare that:

- a) in their opinion the accompanying financial statements and notes of the Consolidated Entity;
 - i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and
- b) In their opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Peter Briggs
Director

2 March 2010
Perth, Western Australia



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	2009 \$	2008 \$
Oil sales	3	11,966	37,909
Interest received	3	12,995	1,649
Other income	3	—	915,653
Other expenses	3	(1,345,223)	(1,306,076)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		<u>(1,320,262)</u>	<u>(350,865)</u>
Income tax		—	—
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		<u>(1,320,262)</u>	<u>(350,865)</u>
NET PROFIT/(LOSS) FOR THE PERIOD		<u>(1,320,262)</u>	<u>(350,865)</u>
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		56,093	(621,047)
Income tax relating to components of other comprehensive income		—	—
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		<u>56,093</u>	<u>(621,047)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<u>(1,264,169)</u>	<u>(971,912)</u>
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(0.76)	(0.46)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(0.76)	(0.46)

The accompanying notes form part of this financial report



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	31 December 2009 \$	30 June 2009 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		334,736	893,163
Trade and other receivables		17,010	16,257
Inventories		6,733	11,968
TOTAL CURRENT ASSETS		<u>358,479</u>	<u>921,388</u>
NON-CURRENT ASSETS			
Plant and equipment		109,366	141,558
Capitalised oil and gas expenditure	4	40,550	99,772
Receivables		12,000	—
TOTAL NON-CURRENT ASSETS		<u>161,916</u>	<u>241,330</u>
TOTAL ASSETS		<u>520,395</u>	<u>1,162,718</u>
CURRENT LIABILITIES			
Trade and other payables		288,555	148,744
Provisions		463	714
TOTAL CURRENT LIABILITIES		<u>289,018</u>	<u>149,458</u>
TOTAL LIABILITIES		<u>289,018</u>	<u>149,458</u>
NET ASSETS		<u>231,377</u>	<u>1,013,260</u>
EQUITY			
Issued capital	5	9,799,721	9,337,435
Reserves	6	1,363,942	1,287,849
Accumulated losses		(10,932,286)	(9,612,024)
TOTAL EQUITY		<u>231,377</u>	<u>1,013,260</u>

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,966	37,909
Payments to suppliers & employees		(718,378)	(515,649)
Interest received		12,995	1,649
Other revenue		—	13,020
		<hr/>	<hr/>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(693,417)	(463,071)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(146,591)	(101,493)
Joint venture termination payment		(200,000)	—
Purchase of property, plant and equipment		—	(2,825)
Proceeds from disposal of plant and equipment		—	6,495
		<hr/>	<hr/>
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		(346,591)	(97,823)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		520,000	196,077
Share issue costs		(37,714)	—
Borrowings		—	175,000
Repayment of borrowings		—	(5,000)
		<hr/>	<hr/>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		482,286	366,077
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange differences		(557,722)	(194,817)
Cash and cash equivalents at beginning of period		(705)	10,692
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	334,736	22,221

The accompanying notes form part of this financial report



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**Attributable to Members
of Westralian Gas and
Power Limited**

	Issued Capital \$	Option Premium Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2008</i>	7,545,999	262,922	210,621	(7,629,794)	389,748
Currency translation differences	—	—	(621,047)	—	(621,047)
Total comprehensive loss for the period	—	—	—	(350,865)	(350,865)
SUBTOTAL	—	—	(621,047)	(350,865)	(971,912)
<i>Transactions with owners in their capacity as owners</i>					
Securities issued	328,436	459,609	—	—	788,045
AT 31 DECEMBER 2008	7,874,435	722,531	(410,426)	(7,980,659)	205,881

**Attributable to Members
of Westralian Gas and
Power Limited**

	Issued Capital \$	Option Premium Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2009</i>	9,337,435	1,343,942	(56,093)	(9,612,024)	1,013,260
Currency translation differences	—	—	56,093	—	56,093
Total comprehensive loss for the period	—	—	—	(1,320,262)	(1,320,262)
SUBTOTAL	—	—	56,093	(1,320,262)	(1,264,169)
<i>Transactions with owners in their capacity as owners</i>					
Securities issued	500,000	20,000	—	—	520,000
Capital raising costs	(37,714)	—	—	—	(37,714)
AT 31 DECEMBER 2009	9,799,721	1,363,942	—	(10,932,286)	231,377

The accompanying notes form part of this financial report



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Westralian Gas and Power Limited ("Company") and its controlled entities ("Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- a) the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- b) the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income; and
- c) other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

The Company has not elected to early adopt any new standards or amendments.

Statement of compliance

The half-year financial report complies with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009.



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Intra-Group Receivables

The Company has an inter-company receivable with its wholly owned subsidiary Sunset Energy LLC which has been written off in the parent company's financial accounts. The directors are of the opinion that the loan will not be repaid in full and consequently any differences in foreign exchange are recognised in the consolidated income or loss from continuing operations of the Group.

NOTE 2. GOING CONCERN BASIS

The Group incurred a loss for the half-year of \$1,320,262 (in the prior half-year a loss of \$350,865). The net assets of the Group have decreased by \$781,883 from \$1,013,260 at 30 June 2009 to \$231,377 at 31 December 2009. As at 31 December 2009 the Group had net assets of \$231,377 and cash assets of \$334,736 (30 June 2008: net assets of \$1,013,260 and cash assets of \$893,163).

Subsequent to 31 December 2009, the Company has raised \$360,000 from the issue of shares and options and has received a further \$200,000 pursuant to an agreement with regard to a farm-in for Exploration Permit EP 455 in the North Perth Basin as announced on 26 February 2010.

As the Group continues to invest in exploring and developing its assets, the Group may require additional working capital that may be funded through cash flows from existing assets, proceeds from asset sales or additional capital raisings by share placements. As such, the Directors consider the Group can manage its assets to ensure sufficient funds are available to meet its financial responsibilities. Based on this, the Directors consider it appropriate that the financial report be prepared on a going concern basis.

	Half-Year to 31 December 2009 \$	Half-Year to 31 December 2008 \$
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NOTE 3. REVENUE, INCOME AND EXPENSES

The loss before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Group:

	Half-Year to 31 December 2009 \$	Half-Year to 31 December 2008 \$
REVENUE		
Oil sales	11,966	37,909
Interest received	12,995	1,649
	<hr/>	<hr/>
	24,961	39,558
	<hr/>	<hr/>
OTHER INCOME		
Joint Venture fee received	—	200,000
Unrealised exchange gain	—	702,633
Other	—	13,020
	<hr/>	<hr/>
	—	915,653
	<hr/>	<hr/>



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half-Year to 31 December 2009 \$	Half-Year to 31 December 2008 \$
CHARGING AS EXPENSES		
Production lease costs	29,619	52,501
Option issue costs	—	441,968
Employee benefits and consultants expenses	287,056	313,345
Depreciation and amortisation expense	33,792	44,901
Exploration expenditure written off	333,257	9,976
Administrative expenses	345,500	318,811
Unrealised exchange loss	76,960	—
Termination of joint venture	200,000	—
Disposal of oil leases	39,039	—
Option fee refunded	—	100,000
Other expenses	—	24,574
	1,345,223	1,306,076
	1,345,223	1,306,076

NOTE 4. SUNSET ENERGY LLC CAPITALISED OIL AND GAS EXPENDITURE AND PLANT & EQUIPMENT

The ultimate recoupment of Sunset Energy LLC assets carried forward in relation to the Capitalised oil and gas expenditure and Plant & equipment is dependent on its successful development and commercial exploitation or alternative the sale of the respective tenements.

Half-Year to 31 December 2009 \$	Year to 30 June 2009 \$
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NOTE 5. ISSUED CAPITAL

ORDINARY SHARES

176,982,612 (30 June 2009: 156,982,612) fully paid ordinary shares	9,799,721	9,337,435
	9,799,721	9,337,435
	9,799,721	9,337,435

MOVEMENTS IN ORDINARY SHARES

At the beginning of the period	9,337,435	7,545,999
16,064,616 shares issued on 29 July 2009	401,615	—
3,935,384 shares issued on 18 September 2009	98,385	—
1,193,496 shares issued on 13 October 2008	—	29,837
9,953,306 shares issued on 5 December 2008	—	298,599
26,212,500 shares issued on 6 January 2009	—	524,250
2,500,000 shares issued on 19 January 2009	—	75,000
40,000,000 shares issued on 25 June 2009	—	800,000
2,500,000 shares issued on 25 June 2009	—	63,750
Share issue expenses	(37,714)	—
	9,799,721	9,337,435
	9,799,721	9,337,435

AT THE END OF THE FINANCIAL PERIOD



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half-Year to 31 December 2009	Year to 30 June 2009
	\$	\$
NOTE 6. RESERVES		
Option premium reserve	1,363,942	1,343,942
Currency translation reserve	—	(56,093)
	<hr/>	<hr/>
	1,363,942	1,287,849
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MOVEMENTS IN OPTION PREMIUM RESERVE

At the beginning of the period	1,343,942	262,922
16,064,616 options issued on 29 July 2009	16,065	—
3,935,384 options issued on 18 September 2009	3,935	—
10,000,000 options issued 1 October 2008	—	423,846
2,500,000 options issued 25 November 2008	—	18,122
17,640,806 options issued 5 December 2008	—	17,641
3,712,500 options issued 6 January 2009	—	3,712
2,500,000 options issued 19 January 2009	—	2,500
6,000,000 options issued 6 February 2009	—	6,000
27,000,000 options issued 25 June 2009	—	544,199
65,000,000 options issued 25 June 2009	—	65,000
	<hr/>	<hr/>
AT THE END OF THE FINANCIAL PERIOD	1,363,942	1,343,942
	<hr/>	<hr/>

MOVEMENTS IN CURRENCY TRANSLATION RESERVE

At the beginning of the period	(56,093)	210,621
Consolidation adjustment for the period	56,093	(266,714)
	<hr/>	<hr/>
AT THE END OF THE FINANCIAL PERIOD	—	(56,093)
	<hr/>	<hr/>

NOTE 7. RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash at bank.

NOTE 8. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group's principal activities are exploration, development and production for oil and gas (including coal seam methane gas) and investment in the resources industry. These activities are managed on a project by project basis. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

BASIS OF ACCOUNTING FOR PURPOSES OF REPORTING BY OPERATING SEGMENTS

Unless stated otherwise, all amounts reported to the board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payable and certain direct borrowings.

Items of revenue, expense, assets and liabilities are not allocated to operating segments if they are not considered part of the core operations of any segment.

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

	HALF-YEAR TO 31 DECEMBER 2009			HALF-YEAR TO 31 DECEMBER 2008		
	Oil and Gas Exploration Australia	Oil Production USA	Total	Oil and Gas Exploration Australia	Oil Production USA	Total
	\$	\$	\$	\$	\$	\$
SEGMENT PERFORMANCE						
External revenue	—	11,966	11,966	200,000	37,909	237,909
TOTAL SEGMENT REVENUE	—	11,966	11,966	200,000	37,909	237,909
Segment net profit/(loss) before tax	<u>(519,960)</u>	<u>(154,681)</u>	(674,641)	<u>(477,892)</u>	<u>(209,687)</u>	(687,579)
RECONCILIATION OF SEGMENT RESULT TO NET PROFIT/(LOSS) BEFORE TAX						
<i>Amounts not included in segment results but reviewed by the Board:</i>						
Interest received			12,995			1,649
Other income			—			13,020
Unrealised exchange gain			—			702,633
Other expenses			(658,616)			(380,588)
NET PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			<u>(1,320,262)</u>			<u>(350,865)</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	31 DECEMBER 2009			30 JUNE 2009		
	Oil and Gas Exploration Australia \$	Oil Production USA \$	Total \$	Oil and Gas Exploration Australia \$	Oil Production USA \$	Total \$
SEGMENT ASSETS						
Segment assets	—	135,197	135,197	—	226,615	226,615
RECONCILIATION OF SEGMENT ASSETS TO TOTAL ASSETS						
<i>Unallocated assets:</i>						
Cash and cash equivalents			333,728			885,769
Receivables			17,010			16,257
Other financial assets			12,000			—
Plant and equipment			22,460			34,077
TOTAL ASSETS FROM CONTINUING OPERATIONS			<u>520,395</u>			<u>1,162,718</u>

	31 DECEMBER 2009			30 JUNE 2009		
	Oil and Gas Exploration Australia \$	Oil Production USA \$	Total \$	Oil and Gas Exploration Australia \$	Oil Production USA \$	Total \$
SEGMENT LIABILITIES						
Segment liabilities	250,000	16,168	266,168	30,000	48,486	78,486
RECONCILIATION OF SEGMENT LIABILITIES TO TOTAL LIABILITIES						
<i>Unallocated liabilities:</i>						
Other liabilities			22,850			70,972
TOTAL LIABILITIES FROM CONTINUING OPERATIONS			<u>289,018</u>			<u>149,458</u>

REVENUE BY GEOGRAPHICAL REGION

Revenue attributed to external customers is disclosed below based on the location of the external customers.



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half-Year to 31 December 2009 \$	Half-Year to 31 December 2008 \$
Australia	—	200,000
USA	11,966	37,909
	<hr/>	<hr/>
	11,966	237,909
	<hr/>	<hr/>

ASSETS BY GEOGRAPHICAL REGION

The location of assets is disclosed below by the geographical location of the assets.

	31 December 2009 \$	30 June 2009 \$
Australia	385,198	936,103
USA	135,197	226,615
	<hr/>	<hr/>
	520,395	1,162,718
	<hr/>	<hr/>

MAJOR CUSTOMERS

Due to the nature of its current operations, the Group does not provide products and services.

NOTE 9. CONTINGENT LIABILITIES

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

NOTE 10. RELATED PARTY TRANSACTIONS

Sunset Energy LLC, a wholly owned subsidiary of the Company, was charged US\$14,750 by Red Mountain Energy Inc (a company related to Mr Stephen Thomas, a director of the Company) for house, vehicle and equipment hire and the outstanding balance due from Sunset Energy LLC to Red Mountain Energy Inc was US\$7,250 as at 31 December 2009.

NOTE 11. EVENTS SUBSEQUENT TO BALANCE DATE

On 8 February 2010, the Company announced that it had obtained the final approvals necessary to commence its new coal seam gas drilling program at the Kaloorup Road Prospect in Drilling Reservation 10 near Busselton. Construction of an access road and a drilling pad would begin immediately.

On 17 February 2010, the Company announced that Drilling had commenced at the Company's Kaloorup Road Prospect near Busselton with the spudding of Kaloorup Road #2, the first well of a two well program.

On 17 February 2010, the Company issued 15,000,000 fully paid ordinary shares for \$0.023 each and 15,000,000 options at an option issue price of \$0.001 per option. The options are exercisable at \$0.05 each and expire on 1 October 2011. The issue of these shares and options was approved at the Annual General Meeting of shareholders held on 20 November 2009.



NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

On 26 February 2010, the Company announced that the Company and AWE Limited ("AWE") will farm-in for a 90 per cent equity share in Exploration Permit EP 455 in the North Perth Basin. AWE will pay \$200,000 to WGP for the equity share and carry WGP through a gross permit expenditure of up to \$7,500,000 after which AWE will pay 90 per cent and WGP 10 per cent of approved work programs and budget expenditure.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Westralian Gas & Power Limited

Report on the Half-Year Consolidated Financial Report

We have reviewed the accompanying half-year consolidated financial report of Westralian Gas and Power Limited, which comprises the condensed consolidated statement of comprehensive income as at 31 December 2009, and the condensed consolidated statement of financial position, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flow for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 company's financial position as at 31 December 2009 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 Westralian Gas and Power Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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 Westralian Gas and Power Limited on 2 March 2010, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Partners

Kevin Somes FCA
John Cooke FCA ACIS

Associates

Julie Burns CA
Rachelle Rose CA CFP®



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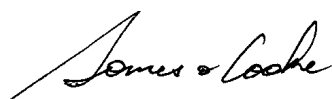
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Westralian Gas and Power 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 2009 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*.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the conclusion expressed above, attention is drawn to Note 2 Going Concern Basis in the financial report which indicates that the group made a net loss from continuing operations of \$1,320,262 at 31 December 2009; the group had a net working capital surplus of \$69,461. These matters indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



Somes & Cooke
Chartered Accountants



Kevin Somes
Partner

2 March 2010

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The Directors
Westralian Gas & Power Limited
31 Ord Street
WEST PERTH WA 6005

Dear Sirs

Auditors Independence Declaration

As lead auditor for the review of Westralian Gas and Power Limited for the half year ended 31 December 2009, I declare under Section 307C of the Corporations Act 2001 that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review, and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Westralian Gas and Power Limited and the entities it controlled during the period.

Somes & Cooke

Kevin Somes

Perth, 2 March 2010

Partners
Kevin Somes FCA
John Cooke FCA ACIS

Associates
Julie Burns CA
Rachelle Rose CA CFP®



Chartered Accountants, Business Consultants and Financial Advisers