ABN 53 109 213 470

Annual Report 2008

CORPORATE DIRECTORY

DIRECTORS:	Peter Briggs (Chairman) Stephen Thomas Geoffrey Hill
COMPANY SECRETARY:	Jack Hugh Toby FCA AACS
ABN:	53 109 213 470
REGISTERED OFFICE:	Suite 1 46 Ord St West Perth, Western Australia 6005 Tel: +61 (8) 9322 6955 Fax: +61 (8) 9322 6722
AUDITORS:	**BDO Kendalls Audit & Assurance (WA) Pty Ltd** 128 Hay St Subiaco WA 6008 Tel: +61 (8) 9380 8400 Fax: +61 (8) 9380 8499
SHARE REGISTRY:	**Computershare Investor Services Pty Ltd** Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000 GPO Box D182 Perth, Western Australia 6840 Tel: +61 1300 557 010 Fax: +61 (8) 9323 2033

This annual report covers both Westralian Gas and Power Limited as an individual entity and the consolidated entity comprising Westralian Gas and Power Limited and its subsidiaries. The Group's presentation currency is Australian Dollars ($). The functional currency of Westralian Gas and Power Limited is Australian Dollars ($) and the functional currency of all subsidiaries of Westralian Gas and Power Limited is Australian Dollars ($), except for Sunset Energy LLC whose functional currency is United States Dollars (US$). A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report. The directors' report is not part of the financial 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 year ended 30th June 2008. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company in office at any time during or since the financial year and up to the date of this financial report are as follows. Directors were in office for the entire period unless otherwise stated.

Peter Briggs
Stephen Leslie Thomas
Geoffrey Guild Hill (appointed: 29-Nov-2007)
Alan Robert Burns (Resigned: 29-Nov-2007)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were exploration, development and production for oil and gas (including coal seam methane gas) and investment in the resources industry.

There were no significant changes in the nature of the principal activities during the financial year.

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to $2,295,649 (2007: $2,127,933).

DIVIDENDS

No dividends have been paid or declared since the start of the financial year by the Company.

The directors have recommended that no dividend be paid by the Company in respect of the year ended 30th June 2008.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial year:

On 5 July 2007, the Company announced the signing of a heads of agreement with ERM Gas ("ERM"). ERM Gas is a wholly owned subsidiary of ERM Power a developer of gas fired power stations. Under the terms of the deal, ERM Gas acquired the option to explore WGP's coal seam gas leases in south west Western Australia and fund their development with the intent of supplying coal seam gas to ERM Power affiliated power stations. ERM Power and its affiliated companies have interests in some 1700MW of gas fired power generation in operation or under construction with several more major projects in planning.

On 6 July 2007, the Company issued 2,800,000 fully paid ordinary shares at 12.5 cents per share and 250,000 free options exercisable at 25 cents each and expiring on 17 September 2009.The issue of these shares was ratified at the Annual General Meeting of shareholders held on 29 November 2007.

On 17 July 2007, the Company announced that it had been granted the Vasse Drilling Reservation DR10. This permit was the focus of a seismic survey run in 2005, which delineated a structural anomaly in the centre of the permit. The prospect area is approximately 1.5 km south of the town site of Vasse. The drill target previously delineated will now be the subject of a drilling. The Company is free carried in this well under the terms of the joint venture arrangements with ERM.

On 26 July 2007, the Company announced the acquisition of the Wells Farm Lease for US$3,000. The lease is approximately 150 acres and it adjoins the Stockton lease to the west.

On 6 August 2007, the Company announced that the Riddle #10 well had begun to pressure up from no gas initially in the system to a wellhead pressure of over 200 PSI. The pressure was increasing and being monitored with a view to using it to lift the oil in the well bore once the pressure is stabilised.

On 14 August 2007, the Company announced that it had completed the Riddle # 9 well which had only minor shows of oil. The well has been plugged and abandoned.

On 20 August 2007, the Company announced that it had completed the first of its wells on the Carter Lease (Carter #24). The well reached a total depth of 377 feet (115metres) and intersected oil at 347ft (106metres) and 367 feet (113metres).The well would be treated and put on pump.

On 23 August 2007, the Company announced that it had completed the second of its wells on the Carter Lease (Carter #26) as a producer. The well reached a total depth of 440 feet (135metres) and intersected oil at 409ft (126metres) and 419 feet (129metres). The well would be fitted with a pump and a 100 barrel tank.

On 24 August 2007, the Company announced that it had completed the third of its wells on the Carter Lease (Carter #21) as an oil producer. The well reached a total depth of 310 feet (95 metres) and encountered oil at 281ft (86.5 metres) which continued for a further 27 ft (9 metres) to 308 ft (94 metres). Drilling ceased at 310 ft (95 metres) with oil being blown to surface during drilling. No water was encountered during drilling after setting surface casing. The well would be completed as a producer and fitted with a pump and tank.

On 4 September 2007, the Company announced that together with joint venture partners Lempika Pty Ltd (25%) and Emphazise Pty Ltd (25%), it had signed a $37 million heads of agreement with Roc Oil (WA) Pty Limited("ROC"), a wholly owned subsidiary of ROC Oil Company Limited, assigning it the rights to explore and drill two wells in two offshore petroleum permits W05-21 and W05-22, comprising 4530 sq km, in the Vlaming Sub-basin ranging from Rottnest Island to Mandurah. Under the terms of the Farm-in Agreement, which is subject to government approval, ROC has acquired a series of three options that can be sequentially triggered by funding a three staged work programme. ROC has already committed to funding the first earning stage whereby it will acquire an initial 20% interest in the two permits and be appointed Operator, by funding 100% of A$2 million of pre-seismic exploration activity. The second stage option for ROC to acquire an additional 20% interest in the Permits requires ROC to fund a A$5 million 2D/3D seismic programme. If ROC elects to exercise the final option, it will be required to pay 100% of an exploration well in one and/or both Permits up to a cost of A$15 million per well, for an additional 40% interest in the Permit in which the well is located. On the above basis, if ROC exercised all options it will acquire an 80% interest in the Permits in consideration for funding of A$37 million work programme.

On 27 September 2007, the Company announced that the recently drilled Carter wells have been fitted with pumps and tested for initial production. Carter #26 had established a flow rate of 7 barrels per day following a mild acid stimulation program. Carter #24 was producing an average of 4 barrels per day with no stimulation and was being prepared for acidising. Carter #21 was producing oil to surface however flow is being hampered by loose rock material plugging the pump located down the hole. The Group had reworked our oldest Carter Well, Carter #1, drilled and been in production since 1974 this had increased our production to 4 barrels per day. This is significant in that it confirms the long production history of the Granville formation. Carter #3 was producing 2 – 3 barrels of oil per day.

On 28 September 2007, the Company announced that all documentation had been signed for the Joint Venture with ERM Gas Ltd, including the first payment of $100,000.00. On completion of the exploration programme to a production level, the Company will reduce its equity to a 25% free carried interest and ERM Gas Ltd will have reimbursed the Company $3million for past exploration costs.

On 9 October 2007, the Company announced that as part of the ongoing exploration program in Kentucky, the Company had spudded and drilled the Riddle #14 well. This well was designed to test the Sunnybrook and Stones River formations, which have been proven to be good oil produces both on our lease and the nearby leases. The well intersected the Sunnybrook oil zone at 575 feet (175m) and produced live oil into the well bore. As there is little gas in this zone and also no water to drive the oil, the well did not flow to surface. Drilling continued to the Stones River Formation where it intersected significant oil shows from 668 feet to 725 feet (205 m – 223 m) and a gas show at 730 feet (224m). Riddle #14 would be acidised to clean up both oil horizons and fitted with a pump to establish the amount of oil production. The oil would be pumped down hill to the tank at # 11, which is just over 400 feet (123m) away.

On 11 October 2007, the Company announced that it had spudded and drilled The Riddle #13 well within 24 hours and the drilling penetrated the top of the Stones River Formation directly below the Pencil Cave and proceeded to flow large volumes of pure oil to the surface. The well could not be drilled any further due to the oil flow and the well was secured as a producer. A well head would be fitted and flow lines laid out to the tanks at the Riddle #11 site which will allow both wells to be flowed into the same tanks.

On 16 October 2007, the Company announced that the Riddle #13 well had been fitted with a beam pump and flow lines established to the storage tanks at the Riddle #11 site. The well was opened and allowed to flow with the assistance of the pump. Initial indications were that the well is capable of good production and has been choked back to 20bbls per day. The reduced flow is aimed at protecting the reservoir and to allow the field crew to study the production characteristics of the producing horizon.

On 26 October 2007, the Company issued 17,213,470 fully paid ordinary shares at 11.5 cents per share pursuant to a Share Purchase Plan.

On 21 November 2007, the Company announced that The Company's work over and remedial work has now been completed on the Carter lease, with Carter's 1, 3, 6, 21, 24 and 26 all on sustained production testing. The wells were acidised and new pumps fitted with several being fitted with time clocks, which facilitate a number of short pump periods over a 24 hour time frame. The producing horizon is the Granville Sand, which is known to produce oil in the range of 2 to 10 barrels per day with the average being 4 barrels per day. This geological formation is well known for producing over many years in this district. The Company has also applied for and been given permits to drill three new wells on this lease. This is planned to take place before Christmas on the assumption the drilling crew is available. The Riddle # 14 well, which was abandoned due to a drill bit being lost in the hole, had been assessed using a camera over the shallow oil zone found during the drilling. This zone appears to have oil seeping from the formation and should lend its self to being acidised to bring it on as a producer (from the Sunnybrook Formation), Sunnybrook wells are often low daily producers but often produce for many years (very similar to the Granville Formation). Further work on the Riddle #10 well had indicated oil leaking into the well bore form the zone intersected at 965 ft in the Murfreesboro and the field crew is planning to acidise this zone following the work on Riddle #14. The Company is also conducting a seismic survey over a number of newly acquired leases in preparation for further drilling.

On 30 November 2007, the Company issued 2,250,000 free options to acquire ordinary shares in the Company. These options are exercisable at 25 cents each on or before 30 November 2010 and the issue of these options was approved at the Annual General Meeting of shareholders held on 29 November 2007.

On 7 December 2007, the Company announced that the Riddle # 14 well (abandoned due to a drill bit being lost in the hole) had been assessed using a camera over the shallow oil zone found during the drilling. This zone has now been acidised and is presently producing oil from the Sunnybrook Formation. The production rate has yet to be determined. Riddle # 13 encountered some water mixed with the produced oil and had been choked back to protect the reservoir from water invasion as seen in Riddle 11 (now a stripper well). Pump testing continues with the aim of finding a long term sustainable level of production for this well. Riddle #10 would be acidised to determine if the oil zone found in drilling will be productive.

On 21 January 2008, the Company announced that as at the week ending 18th January the combined production across the Kentucky fields averaged 32.5 barrels per day or approximately 1000 barrels per month. The Company had acquired a new lease (Higginbotham) of seven hundred acres plus to the east of the Shepherd Lease. The Company holds in excess of four thousand acres in the county. This lease has several old wells, which produced economic flows during the 1980's and offers significant scope to explore areas within the lease where no exploration has taken place.

On 11 March 2008, 13,700,000 Converting Incentive Preference Shares that were held by entities related to two of the Company's directors were converted automatically to 17,340 fully paid ordinary shares in the Company pursuant to the expiry of the term of these securities.

On 11 March 2008, Eneabba Gas Limited ("EGL") terminated its agreement with the Company. Pursuant to a Sale and Purchase Agreement dated 19 January 2007, the Company agreed to sell EGL a 70% interest in certain petroleum titles known as the Greenough Titles. A deposit of $100,000 was paid by EGL to secure this option. The Company was unable to satisfy the condition precedent for the Approval of the Minister of Resources to the transfer within the period specified and accordingly the agreement was terminated by EGL by notice dated 11 March 2008.

On 10 June 2008, the Company announced that its Level One American Depositary Receipt (ADR) program had been declared eligible by the US Securities and Exchange Commission. The Bank of New York Mellon had been appointed as the depositary bank for the ADR program. A Level One ADR program facilitates the purchase of Westralian Gas and Power shares by US investors. Under the program, one ADR is equivalent to 200 ordinary shares of Westralian Gas and Power. The ADRs trade in the US over-the-counter (OTC) market under the ADR trading symbol WGPRY and the CUSIP number is 961436102.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 21 August 2008, the Company announced the signing of a memorandum of understanding (MOU) today with Oswal Resources Pty Ltd ("Oswal") covering all of the onshore Western Australian Mining and Petroleum Leases held by the Company. Under the terms of the MOU, Oswal and the Company have 3 months to finalise a Joint Venture Agreement pursuant to which Oswal Resources will fund 100 percent of the exploration on the Company's leases in south west and mid west Western Australia to a bankable feasibility, to earn a 75% interest. Exploration of the Mining and Petroleum Leases is to include, coal, coal seam methane gas, conventional hydrocarbons and the prospects of underground coal gasification. The transaction will be conditional on various matters including due diligence and approvals. The agreement also requires a payment of $200,000 to the Company and payment of an amount equal to the lesser of the amount spent by the Company or by any of its subsidiaries directly in relation to exploration of the Resource Titles between the date of their grant and the date of this Memorandum, including application fees, rental, rates, accounting fees, legal fees, overheads and any other fees, costs or expenses incurred in relation to them (which must be evidenced by production of accounts and receipts); and $2,500,000 by equal annual payments over a three year period.

On 26 September 2008, the Company received a letter from Natural Resource Finance Pty Ltd, a company associated with Mr Peter Briggs, a director of the Company, whereby Natural Resource Finance Pty Ltd agreed to provide sufficient cash funds on an interest free basis to the Company to cover all creditors of the Company and its subsidiaries as and when required to a maximum of $400,000. Natural Resource Finance Pty Ltd has agreed that it will not demand repayment of any such funds provided until at least October 2009. The directors regard this as an interim facility pending the completion of asset sales, capital raising or other arrangements that will generate cash funds for the Company.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

LIKELY DEVELOPMENTS

The directors intend to actively pursue the exploration and development of the oil and gas leases and coal seam gas interests in Australia and the USA in which it has an interest.

ENVIRONMENTAL ISSUES

The Company's operations have not been subject to any environmental regulation.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

PETER BRIGGS
CHAIRMAN (EXECUTIVE)

Qualifications and Experience:

Mr Briggs qualified as a registered builder after completing his building diploma in 1967.

Mr Briggs commenced his involvement with public companies in 1973 and since then has been involved in 30 listed companies with interests including oil and gas production in the USA, and exploration and oil and gas drilling in the Middle East and Australia.

Appointed Executive Chairman upon incorporation of the Company on 24 May 2004.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

None.

Special Responsibilities:

Chairman of Directors.

Interest in shares and options of the Company as at the date of signing this report:

10,601,535 Ordinary Shares and 4,000,000 unlisted options exercisable at 30 cents each expiring 17 September 2009 in Westralian Gas and Power Limited.

Directors meetings attended: 13.

STEPHEN LESLIE THOMAS
MANAGING DIRECTOR

Qualifications and Experience:

Bachelor of Science (Hons) in Geology and Geophysics from the University of Cardiff in 1978.

Mr Thomas has held a number of managerial positions both technical and corporate within the field of oil and gas exploration since 1978. Mr Thomas moved into the coal seam methane industry in 1997 when became managing director of Growth Resources NL.

Appointed Managing Director at incorporation on 24 May 2004.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

None.

Special Responsibilities:

Managing director.

Interest in shares and options of the Company as at the date of signing this report:

9,744,843 Ordinary Shares in Westralian Gas and Power Limited.

Directors meetings attended: 13.

GEOFFREY GUILD HILL
DIRECTOR (NON-EXECUTIVE)
APPOINTED: 29 NOVEMBER 2007

Qualifications:

BEcon (Syd.), MBA (NSW), Fellow CPA Australia, Fellow Australian Institute of Company Directors, Associate Financial Services Institute of Australasia and Registered Proper Authority Holder Australian Securities and Investments Commission Director Licensed Securities Dealer (Australia 2)

Experience:

Mr Hill is an experienced merchant banker, currently working in Hong Kong with Pitt Capital Partners Limited, Sydney.

He is experienced particularly in the treasury and financial markets sectors including financial feasibility studies for the provision of debt or equity for project funding.

Directorships of other listed companies in the 3 years prior to the end of the Financial Year:

None.

Interest in shares and options of the Company as at the date of signing this report:

2,000,000 unlisted options exercisable at 25 cents each expiring 30 November 2010 in Westralian Gas and Power Limited.

Directors meetings attended:

Attended 5 of the 6 meetings held during the financial year while he was a director.

JACK TOBY
COMPANY SECRETARY

Qualifications

Mr Toby is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate member of the Australian Computer Society.

Experience

Mr Toby has extensive experience as Company Secretary and Chief Financial Officer of several listed public companies and major corporations over the last 25 years.

DIRECTORS MEETINGS

During the year ended 30th June 2007, 13 meetings of directors were held.

Mr Alan Burns, who resigned as a director during the year attended all 5 of the 5 meetings held during the financial year while he was a director.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by Section 308(3c) of the Corporations Act 2001.

Remuneration is based on fees approved by the Board of directors.

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial year or the previous four financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives. There are no service contracts with directors or executives.

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

DIRECTORS

Peter Briggs	Executive Chairman
Stephen Leslie Thomas	Managing Director
Geoffrey Guild Hill	Director (appointed 29 November 2007)
Alan Robert Burns	Director (resigned 29 November 2007)

EXECUTIVES

Jack Toby	Company Secretary (appointed 23 May 2008)
Dean McKenzie	Company Secretary (resigned 23 May 2008)

	Primary Remuneration 2008			
	Salary and Fees $	**Bonus $**	**Super-annuation $**	**Total $**
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Peter Briggs	138,273	5,000	2,477	145,750
Stephen Leslie Thomas	243,523	5,000	2,477	251,000
Geoffrey Guild Hill	17,664	—	—	17,664
Alan Robert Burns	—	—	—	—
TOTAL PRIMARY REMUNERATION FOR DIRECTORS	399,460	10,000	4,954	414,414
REMUNERATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Jack Toby	8,387	—	—	8,387
Dean McKenzie	94,996	—	—	94,996
TOTAL PRIMARY REMUNERATION FOR EXECUTIVES	103,383	—	—	103,383

	Equity Remuneration 2008		
	Shares $	**Options $**	**Total $**
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.			
Geoffrey Guild Hill	—	24,200	24,200
TOTAL EQUITY REMUNERATION FOR DIRECTORS	—	24,200	24,200
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.			
Dean McKenzie	—	3,025	3,025
TOTAL REMUNERATION FOR EXECUTIVES	—	3,025	3,025

On 30 November 2007, the Company issued 2,000,000 free options to acquire ordinary shares in the Company to Mr Geoffrey Guild Hill. These options are exercisable at 25 cents each on or before 30 November 2010 and the issue of these options was approved at the Annual General Meeting of shareholders held on 29 November 2007.

On 30 November 2007, the Company issued 250,000 free options to acquire ordinary shares in the Company to Mr Dean McKenzie. These options are exercisable at 25 cents each on or before 30 November 2010 and the issue of these options was approved at the Annual General Meeting of shareholders held on 29 November 2007.

The primary purpose for the issue of the options to directors and executives is designed to encourage the performance of the Directors and executives. These options were valued on the date of issue at 1.21 cents each using the Black-Scholes methodology and based on a risk free rate 6.57% (the Commonwealth Government securities rate at 10 October 2007 with a maturity date approximating that of the expiration period of the incentive options), an underlying security spot price $0.14 (based on the price of the Company's shares as at 10 October 2007) and an expected price volatility of the Company's shares of 30%. For the purposes of the valuation, no future dividend payments have been forecast and it is assumed that the Incentive Options will not be exercised any earlier than the expiry date. The options were issued as fully vested from their date of issue as the directors believed that fully vested options was an appropriate way to incentivise the recipients.None of these options have been exercised as at the date of this report.

	Total Remuneration 2008			
	Primary Remuneration $	**Equity Remuneration $**	**Total $**	**Equity Remuneration % of Total**
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Peter Briggs	145,750	—	145,750	—
Stephen Leslie Thomas	251,000	—	251,000	—
Geoffrey Guild Hill	17,664	24,200	41,864	58%
Alan Robert Burns	—	—	—	—
TOTAL REMUNERATION FOR DIRECTORS	414,414	24,200	438,614	6%
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Jack Toby	8,387	—	8,387	—
Dean McKenzie	94,996	3,025	98,021	3%
TOTAL REMUNERATION FOR EXECUTIVES	103,383	3,025	106,408	3%

	Primary Remuneration 2007		
	Salary and Fees $	**Super-annuation $**	**Total $**
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Peter Briggs	110,000	—	110,000
Stephen Leslie Thomas	193,000	—	193,000
Alan Robert Burns	30,000	2,700	32,700
TOTAL PRIMARY REMUNERATION FOR DIRECTORS	333,000	2,700	335,700
REMUNERATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.			
Paul Fromson	63,399	—	63,399
Dean McKenzie	6,914	—	6,914
TOTAL PRIMARY REMUNERATION FOR EXECUTIVES	70,313	—	70,313

	Total Remuneration 2007		
	Primary Remuneration $	Equity Remuneration $	Total $
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
Peter Briggs	110,000	—	110,000
Stephen Leslie Thomas	193,000	—	193,000
Alan Robert Burns	32,700	—	32,700
TOTAL REMUNERATION FOR DIRECTORS	335,700	—	335,700
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
Paul Fromson	63,399	—	63,399
Dean McKenzie	6,914	—	6,914
TOTAL REMUNERATION FOR EXECUTIVES	70,313	—	70,313

END OF REMUNERATION REPORT

SHARE OPTIONS ISSUED

On 6 July 2007, the Company issued 250,000 free options exercisable at 25 cents each and expiring on 17 September 2009. The issue of these shares was ratified at the Annual General Meeting of shareholders held on 29 November 2007.

On 30 November 2007, the Company issued 2,250,000 free options to acquire ordinary shares in the Company. These options are exercisable at 25 cents each on or before 30 November 2010 and the issue of these options was approved at the Annual General Meeting of shareholders held on 29 November 2007.

No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

SHARE OPTIONS OUTSTANDING

During the year ended 30th June 2008, no ordinary shares were issued by virtue of the exercise of options.

Subsequent to the year ended 30th June 2008, no ordinary shares were issued by virtue of the exercise of options.

There are 16,250,000 options to subscribe for unissued fully paid ordinary shares in the Company for 25 cents per share expiring 17 September 2009 outstanding at the date of this report.

There are 4,000,000 options to subscribe for unissued fully paid ordinary shares in the Company for 30 cents per share expiring 17 September 2009 outstanding at the date of this report.

There are 4,000,000 options to subscribe for unissued fully paid ordinary shares in the Company for 30 cents per share expiring 30 November 2008 outstanding at the date of this report.

There are 2,250,000 options to subscribe for unissued fully paid ordinary shares in the Company for 25 cents per share expiring 30 November 2010 outstanding at the date of this report.

No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

INDEMNIFYING AND INSURING DIRECTORS, OFFICERS OR AUDITORS

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or

b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C a signed Auditor's Independence Declaration to the directors in relation to the year ended 30 June 2008 has been provided to the Company. This declaration has been included in this document.

Other fees charged by the auditors or related entities were tax return preparation costs of $26,710 charged by BDO Kendalls Corporate Tax (WA) Pty Ltd, a related entity of the auditor. The directors are satisfied that the services disclosed did not compromise the auditor's independence.

Signed in accordance with a resolution of the directors.

Peter Briggs
Director

26 September 2008
Perth, Western Australia

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Westralian Gas and Power Limited A.C.N. 109 213 470 ("Company"), I state that:

In the opinion of the directors:

1) the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001 including:

    a) complying with Accounting Standards and the Corporations Regulations 2001, other mandatory professional reporting requirements; and

    b) giving a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company and the Consolidated Entity; and

    c) the remuneration report disclosures set out on pages 7 to 10 of the directors' report (as part of the Remuneration Report), for the year ended 30 June 2008, comply with section 300A of the Corporations Act 2001.

2) As required by section 295A of the Corporations Act 2001, the Chief Executive Officer, Mr Stephen Thomas, and Chief Finance Officer, Mr Jack Toby, have each declared in writing that:

    a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

    b) the financial statements and notes for the financial year comply with the Accounting Standards; and

    c) the financial statements and notes for the financial year give a true and fair view.

3) in the director's 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.

On behalf of the Board of Directors.

Peter Briggs
Director

26 September 2008
Perth, Western Australia

INCOME STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

	Note	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Oil and gas sales	3	82,499	98,570	—	—
Option issue fees received	3	100,000	—	100,000	—
Interest received	3	38,575	21,927	38,575	21,927
Other revenue	3	16,069	23,068	16,069	22,938
Management fees received	3	—	—	120,000	120,000
Employee benefits and consultants		(612,995)	(540,810)	(612,995)	(488,028)
Cost of share based payments		(27,225)	—	(27,225)	—
General and administration expense		(661,177)	(473,835)	(356,040)	(305,857)
Rental expense on operating leases		(165,468)	(131,487)	(165,468)	(121,424)
Foreign exchange losses		(197,888)	(39,693)	(196,922)	—
Depreciation of plant and equipment		(41,406)	(27,419)	(24,220)	(23,092)
Loss on disposal of plant & equipment		(2,239)	—	(1,963)	—
Amortisation of oil leases		(33,447)	(20,341)	—	—
Exploration expenditure written off		(598,529)	(741,673)	(201,248)	(148,472)
Exploration and Production expenses		(148,679)	(58,422)	(14,365)	—
Loans to subsidiaries written off		—	—	(1,946,361)	—
Development expenditure written off		—	(147,498)	—	(147,498)
Other expenses		(43,739)	(90,320)	(43,688)	(88,836)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		(2,295,649)	(2,127,933)	(3,315,851)	(1,158,342)
Income tax expense	4	—	—	—	—
PROFIT/(LOSS) AFTER RELATED INCOME TAX EXPENSE	5	(2,295,649)	(2,127,933)	(3,315,851)	(1,158,342)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	6	(3.32)	(4.70)		
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	6	(3.32)	(4.70)		

The accompanying notes form part of these financial statements

BALANCE SHEETS AS AT 30TH JUNE 2008

	Note	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
CURRENT ASSETS					
Cash and cash equivalents	17	206,346	66,975	178,891	61,911
Trade and other receivables	7	19,642	52,702	18,603	27,609
Inventories	8	10,991	—	—	—
TOTAL CURRENT ASSETS		236,979	119,677	197,494	89,520
NON-CURRENT ASSETS					
Plant and equipment	9	169,123	158,990	56,190	75,466
Receivables	10	—	1,600	—	1,121,540
Capitalised oil and gas expenditure	11	119,063	126,707	—	—
Other financial assets	12	—	4,591	110	3,410
TOTAL NON-CURRENT ASSETS		288,186	291,888	56,300	1,200,416
TOTAL ASSETS		525,165	411,565	253,794	1,289,936
CURRENT LIABILITIES					
Trade and other payables	13	132,253	199,172	101,950	127,042
Provisions	14	3,164	1,534	3,164	1,534
TOTAL CURRENT LIABILITIES		135,417	200,706	105,114	128,576
TOTAL LIABILITIES		135,417	200,706	105,114	128,576
NET ASSETS/(LIABILITIES)		389,748	210,859	148,680	1,161,360
EQUITY					
Issued capital	15	7,545,999	5,270,053	7,545,999	5,270,053
Reserves	16	473,543	274,951	262,922	235,697
Accumulated losses	5	(7,629,794)	(5,334,145)	(7,660,241)	(4,344,390)
TOTAL EQUITY		389,748	210,859	148,680	1,161,360

The accompanying notes form part of these financial statements

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

	Note	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		107,377	102,405	—	22,938
Payments to suppliers & employees		(1,586,493)	(1,095,783)	(1,387,228)	(788,985)
Interest received		38,575	21,927	38,575	21,927
Other income		116,069	—	116,069	—
NET CASH OUTFLOW USED IN OPERATING ACTIVITIES	17	(1,324,472)	(971,451)	(1,232,584)	(744,120)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of oil and gas interests		(36,879)	(66,327)	—	—
Exploration expenditure		(723,416)	(767,731)	(215,613)	(137,075)
Development expenditure		—	(12,501)	—	(12,501)
Sale of listed securities		2,659		2,659	—
Purchase of plant and equipment		(58,403)	(84,454)	(6,907)	(3,955)
Proceeds from disposal of plant and equipment		4,625	—	—	—
Loans to subsidiaries		—	—	(706,421)	(1,006,777)
Investment in subsidiaries		—	—	(100)	—
NET CASH OUTFLOW USED IN INVESTING ACTIVITIES		(811,414)	(931,013)	(926,382)	(1,160,308)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from equity issues		2,329,549	1,329,160	2,329,549	1,329,160
Capital raising expenses		(53,603)	(161,888)	(53,603)	(161,888)
Loan repayments to unrelated parties		—	(30,986)	—	(30,986)
NET CASH INFLOW FROM FINANCING ACTIVITIES		2,275,946	1,136,286	2,275,946	1,136,286
NET INCREASE/(DECREASE) IN CASH HELD		140,060	(766,178)	116,980	(768,142)
Net foreign exchange differences		(689)	(440)	—	—
Cash and cash equivalents at beginning of year		66,975	833,593	61,911	830,053
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	206,346	66,975	178,891	61,911

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2008

CONSOLIDATED ENTITY

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital $	Option Premium Reserve $	Currency Translation Reserve $	Accumulated Losses $	Total Equity $
At 1 July 2006	4,102,781	235,697	—	(3,206,212)	1,132,266
Currency translation	—	—	39,254	—	39,254
Loss for year	—	—		(2,127,933)	(2,127,933)
TOTAL LOSS FOR THE PERIOD	—	—	39,254	(2,127,933)	(2,088,679)
Securities issued	1,329,160	—	—	—	1,329,160
Equity raising costs	(161,888)	—	—	—	(161,888)
AT 30 JUNE 2007	5,270,053	235,697	39,254	(5,334,145)	210,859
Currency translation	—	—	171,367	—	171,367
Loss for year	—	—	—	(2,295,649)	(2,295,649)
TOTAL LOSS FOR THE PERIOD	—	—	171,367	(2,295,649)	(2,124,282)
Securities issued	2,329,549	27,225	—	—	2,356,774
Equity raising costs	(53,603)	—	—	—	(53,603)
AT 30 JUNE 2008	7,545,999	262,922	210,621	(7,629,794)	389,748

PARENT ENTITY

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital $	Option Premium Reserve $	Accumulated Losses $	Total Equity $
At 1 July 2006	4,102,781	235,697	(3,186,049)	1,152,429
Loss for year	—	—	(1,158,341)	(1,158,341)
TOTAL LOSS FOR THE PERIOD	—	—	(1,158,341)	(1,158,341)
Securities issued	1,329,160	—	—	1,329,160
Equity raising costs	(161,888)	—	—	(161,888)
AT 30 JUNE 2007	5,270,053	235,697	(4,344,390)	1,161,360
Loss for year	—	—	(3,315,851)	(3,315,851)
TOTAL LOSS FOR THE PERIOD	—	—	(3,315,851)	(3,315,851)
Securities issued	2,329,549	27,225	—	2,356,774
Equity raising costs	(53,603)	—	—	(53,603)
AT 30 JUNE 2008	7,545,999	262,922	(7,660,241)	148,680

The accompanying notes form part of these financial statements

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT

The following is a summary of the significant accounting policies adopted by Westralian Gas and Power Limited A.C.N. 109 213 470 (“Parent Entity” or "Company") and by the Parent Entity and its controlled entities (“Consolidated Entity” or “Group”) in the preparation of these financial statements.

Basis of Preparation of Accounts
Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial report has been prepared on an accruals basis and is based on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value. The presentation currency used in this financial report is Australian Dollars.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group’s accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations were issued but not yet effective:

AASB 2007-3 Amendments to Australian Accounting Standards. Standards affected are: AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038. The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report. This is effective for annual reporting periods beginning on or after 1 January 2009.

AASB 8 Operating Segments. The Standard affected is AASB 114 – Segment Reporting. The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report. This is effective for annual reporting periods beginning on or after 1 January 2009.

Other Standards that have been issued but not yet effective are considered to have no significant effect on the financial statements.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by Westralian Gas and Power Limited A.C.N. 109 213 470 ("Company") in the preparation of these financial statements. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Westralian Gas and Power Limited ("Company") and its subsidiaries ("Group"). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

b) Foreign currency translation

The presentation currency of the Company and its Australian subsidiaries is Australian dollars. The functional currency of the Company is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The functional currency of overseas subsidiaries is United States dollars. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the gain or loss on sale as applicable.

c) Taxes

Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

d) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Employee benefits, expenses and revenues arising in respect of wages and salaries; non monetary benefits; annual leave; long service leave and other leave and other employee entitlements are charged against profits on a net basis.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred. The Group has no legal obligation to cover any shortfall in any superannuation fund's obligation to provide benefits to employees on retirement.

e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments with less than 14 days to maturity.

f) Revenue recognition

Revenue from services rendered is recognised upon the delivery of goods or services to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Oil sales are recognised when an invoice for the sale is issued. Management fees are recognised on a proportional basis.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

h) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

j) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

k) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – over 20 years
Plant and equipment – over 2 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

l) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivable) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default and delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate. Cashflows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the income statements within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

m) Trade and other payables

Trade payables and other payables are carried at amortised cost which represents future liabilities for goods and services received, whether or not billed to the Company.

n) Investments

Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Impairment of financial assets

Impairment of available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

o) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of mineral stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

p) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out below. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Recovery of deferred assets

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes or a binomial model, using the assumptions detailed. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using a binomial formula taking into account the terms and conditions upon which the instruments were granted.

q) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

r) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’). There is currently a Employee Share Option Plan (ESOP) in place to provide these benefits, which provides benefits to directors and executives. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes or a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (‘market conditions’). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

s) Earnings/(loss) per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTE 2. GOING CONCERN BASIS

The Group incurred a loss for the year of $2,295,649 (in the prior year a loss of $2,127,933). The net assets of the Group have increased by $178,889 from $210,859 at 30 June 2007 to $389,748 at 30 June 2008. As at 30 June 2008 the Group had cash assets of $206,346 (30 June 2007 $66,975).

The Group will continue exploration on its oil permits in Kentucky USA and will also seek to boost production from its existing wells. The Directors believe these assets will continue to demonstrate positive cash flows in the future. The Group will continue to invest in exploring and developing these assets subject to available cash flow.

Subsequent to 30 June 2008, the Company received a letter from Natural Resource Finance Pty Ltd, a company associated with Mr Peter Briggs, a director of the Company, whereby Natural Resource Finance Pty Ltd agreed to provide sufficient cash funds on an interest free basis to the Company to cover all creditors of the Company and its subsidiaries as and when required to a maximum of $400,000. Natural Resource Finance Pty Ltd has agreed that it will not demand repayment of any such funds provided until at least October 2009. The directors regard this as an interim facility pending the completion of asset sales, capital raising or other arrangements that will generate cash funds for the Company.

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.

NOTE 3. REVENUE

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
The profit/(loss) before income tax has been determined after:				
REVENUE FROM CONTINUING OPERATIONS				
Operating activities				
Oil sales	82,499	98,570	—	—
TOTAL REVENUE FROM OPERATING ACTIVITIES	82,499	98,570	—	—
Non-Operating activities				
Option fees received from other persons	100,000	—	100,000	—
Interest received from other persons	38,575	21,927	38,575	21,927
Management fees receivable from subsidiaries	—	—	120,000	120,000
Other revenue	16,069	23,068	16,069	22,938
TOTAL REVENUE FROM NON-OPERATING ACTIVITIES	154,644	44,995	274,644	164,865
TOTAL REVENUE FROM CONTINUING OPERATIONS	237,143	143,565	274,644	164,865

During the year ended 30 June 2008, the Parent Entity sold current investments with a book value of $3,400 for $2,659.

NOTE 4. INCOME TAX

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Reconciliation of the prima facie income tax on operating profit/(loss) with the income tax expense in the financial statements:				
Prima facie income tax benefit on operating profit/(loss) calculated at 30%	(688,695)	(638,380)	(994,755)	(347,503)
Loans to subsidiaries written off	—	—	583,908	—
Tax effect of other amounts not deductible in calculating taxable income	2,892	4,652	2,893	4,652
TOTAL	(685,803)	(633,728)	(407,954)	(342,851)
Movement in unrecognised temporary differences	8,497	8,450	8,567	4,352
Income tax benefit not brought to account as realisation of the benefit is not virtually certain	677,306	625,278	399,387	338,499
INCOME TAX EXPENSE FROM ORDINARY ACTIVITIES	—	—	—	—

The accompanying notes form part of these financial statements

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
UNRECOGNISED DEFERRED TAX BALANCES				
Unrecognised deferred tax asset – tax losses	1,833,338	1,562,142	1,332,798	1,562,142
Unrecognised deferred tax asset – provisions	105,431	23,898	105,292	19,800
Unrecognised deferred tax asset – capital raising costs	76,811	163,301	76,811	163,301
DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT	2,015,580	1,749,341	1,514,901	1,745,243

The future income tax benefit not brought to account includes provisions and capital raising costs that will realise a benefit to the Company only if the Company derives future assessable income of a nature and amount sufficient to enable the benefits to be realised, the Company continues to comply with the conditions for deductibility imposed by law, and no changes in tax legislation adversely affect the ability of the Company to realise the benefits.

NOTE 5. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(5,334,145)	(3,206,211)	(4,344,390)	(3,186,049)
Net profit/(loss) for the financial year	(2,295,649)	(2,127,934)	(3,315,851)	(1,158,341)
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	(7,629,794)	(5,334,145)	(7,660,241)	(4,344,390)

NOTE 6. EARNINGS PER SHARE

Basic loss per share (cents per share)	(3.32)	(4.70)
Diluted loss per share (cents per share)	(3.32)	(4.70)
Profit/(loss) used in the calculation of basic EPS	(2,295,649)	(2,127,933)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	69,070,358	45,275,300
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	69,070,358	45,275,300

During the year ended 30 June 2008, 2,500,000 options to subscribe for ordinary shares were issued, no options were exercised and no options expired unexercised, leaving 26,500,000 options outstanding at 30 June 2008 (note 15). These options are not considered dilutive for the purposes of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share nor increase the net loss from continuing ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

During the year ended 30 June 2007, no options to subscribe for ordinary shares were issued, no options were exercised and no options expired unexercised, leaving 24,000,000 options outstanding at 30 June 2007 (note 15). These options are not considered dilutive for the purposes of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share nor increase the net loss from continuing ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

The converting incentive preference shares are not included in the determination of basic or diluted earnings per share as they are convertible upon the Company achieving specified production reserves or share prices for the Company shares on ASX. These thresholds were not achieved by their date of expiry. The 13,700,000 converting incentive preference shares were converted in accordance with their terms and conditions to 17,340 fully paid ordinary shares on 11 March 2008.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$

NOTE 7. RECEIVABLES (CURRENT)

Trade debtors	—	24,878	—	—
Amount receivable from director related entities	—	4,295	—	4,295
Other debtors and prepayments	19,642	23,529	18,603	23,314
	19,642	52,702	18,603	27,609

Other debtors are non-interest bearing and generally on 30 day terms.

NOTE 8. INVENTORIES

Oil stock	10,991	—	—	—
	10,991	—	—	—

NOTE 9. PLANT AND EQUIPMENT

PLANT AND EQUIPMENT				
At cost	247,686	202,064	115,652	114,166
Accumulated depreciation	(78,563)	(43,074)	(59,462)	(38,700)
TOTAL PLANT AND EQUIPMENT	169,123	158,990	56,190	75,466

MOVEMENTS IN THE CARRYING AMOUNT OF EACH CLASS OF PLANT AND EQUIPMENT

PLANT AND EQUIPMENT				
At the beginning of the financial year	158,990	101,955	75,466	94,603
Additions	58,403	84,454	6,907	3,955
Depreciation expense	(41,406)	(27,419)	(24,220)	(23,092)
Disposals	(6,864)	—	(1,963)	—
TOTAL PLANT AND EQUIPMENT	169,123	158,990	56,190	75,466

NOTE 10. RECEIVABLES (NON-CURRENT)

Loans to controlled entities	—	—	—	1,119,940
Other	—	1,600	—	1,600
	—	1,600	—	1,121,540

The loans to the subsidiaries have no fixed repayment period and no interest is charged on the loans at this point in time. The loans are carried at fair value being the total amount actually loaned to the subsidiaries during the year.

NOTE 11. CAPITALISED OIL AND GAS EXPENDITURE

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
MOVEMENTS IN THE CARRYING AMOUNT OF EXPLORATION EXPENDITURE				
At the beginning of the financial year	—	—	—	—
Expenditure incurred during the year	600,284	741,673	201,248	148,472
Amortised during the year	(598,529)	(741,673)	(201,248)	(148,472)
AT THE END OF THE FINANCIAL YEAR	1,755	—	—	—
MOVEMENTS IN THE CARRYING AMOUNT OF DEVELOPMENT EXPENDITURE				
At the beginning of the financial year	—	134,995	—	134,995
Expenditure incurred during the year	—	12,503	—	12,503
Amortised during the year	—	(147,498)	—	(147,498)
AT THE END OF THE FINANCIAL YEAR	—	—	—	—
MOVEMENTS IN THE CARRYING AMOUNT OF PRODUCTION EXPENDITURE				
At the beginning of the financial year	126,707	80,721	—	—
Expenditure incurred during the year	24,048	66,327	—	—
Amortised during the year	(33,447)	(20,341)	—	—
AT THE END OF THE FINANCIAL YEAR	117,308	126,707	—	—
TOTAL CAPITALISED OIL AND GAS EXPENDITURE	119,063	126,707	—	—

Recoverability of the carrying amount of the Production Leases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

NOTE 12. OTHER FINANCIAL ASSETS (NON-CURRENT)

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Investments in controlled entities	—	—	110	10
Securities in corporations listed on a prescribed stock exchange at market value	—	3400	—	3,400
Incorporation costs	—	1,191	—	—
	—	4,591	110	3,410

Listed securities in other corporations are held for trading. There would be no material capital gains tax payable if these assets were disposed of at the reporting date. The costs of these investments at 30 June 2007 totalled $2,000.

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
NOTE 13. PAYABLES (CURRENT)				
Trade creditors	—	108,414	—	49,945
Sundry creditors and accrued expenses	132,523	42,758	101,950	29,097
Director related entities	—	48,000	—	48,000
	132,523	199,172	101,950	127,042

Sundry creditors are non-interest bearing and generally on 30 day terms.

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
NOTE 14. PROVISIONS (CURRENT)				
Employee benefits	3,164	1,534	3,164	1,534
	3,164	1,534	3,164	1,534
NOTE 15. ISSUED CAPITAL				
74,623,310 (2007: 54,592,500) fully paid ordinary shares	7,545,999	5,268,683	7,545,999	5,268,683
13,700,000 (2007: 13,700,000) converting incentive preference shares	—	1,370	—	1,370
	7,545,999	5,270,053	7,545,999	5,270,053
MOVEMENTS IN ORDINARY SHARES				
At the beginning of the financial year	5,268,683	4,101,411	5,268,683	4,101,411
2,800,000 shares issued on 6 July 2007	350,000	—	350,000	—
17,213,470 shares issued 26 October 2007	1,979,549	—	1,979,549	—
Conversion of 13,700,000 converting incentive preference shares to 17,340 ordinary shares on 11 March 2008	1,370	—	1,370	—
5,696,000 shares issued on 8 December 2006	—	455,680	—	455,680
10,918,500 shares issued on 14 February 2007	—	873,480	—	873,480
Share issue expenses	(53,603)	(161,888)	(53,603)	(161,888)
AT THE END OF THE FINANCIAL YEAR	7,545,999	5,268,683	7,545,999	5,268,683
MOVEMENTS IN CONVERTING INCENTIVE PREFERENCE SHARES				
At the beginning of the financial year	1,370	1,370	1,370	1,370
Conversion of 13,700,000 converting incentive preference shares to 17,340 ordinary shares on 11 March 2008	(1,370)	—	(1,370)	—
AT THE END OF THE FINANCIAL YEAR	—	1,370	—	1,370

On 6 July 2007, the Company issued 2,800,000 fully paid ordinary shares at 12.5 cents per share and 250,000 free options exercisable at 25 cents each and expiring on 17 September 2009.The issue of these shares was ratified at the Annual General Meeting of shareholders held on 29 November 2007.

On 26 October 2007, the Company issued 17,213,470 fully paid ordinary shares at 11.5 cents per share pursuant to a Share Purchase Plan.

On 11 March 2008, 13,700,000 Converting Incentive Preference Shares that were held by entities related to two of the Company's directors were converted automatically to 17,340 fully paid ordinary shares in the Company pursuant to the expiry of the term of these securities.

At 30 June 2008 there were 26,500,000 unissued ordinary shares for which options were outstanding. These comprise 16,250,000 options which entitle the holder to subscribe for one ordinary share in the Company for 25 cents per share and expire on 17 September 2009, 4,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 30 cents per share and expire on 30 November 2008, 4,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 30 cents per share and expire on 17 September 2009 and 2,250,000 options which entitle the holder to subscribe for one ordinary share in the Company for 25 cents per share and expire on 30 November 2010.

At 30 June 2007 there were 24,000,000 unissued ordinary shares for which options were outstanding. These comprise 16,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 25 cents per share and expire on 17 September 2009, 4,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 30 cents per share and expire on 30 November 2008 and 4,000,000 options which entitle the holder to subscribe for one ordinary share in the Company for 30 cents per share and expire on 17 September 2009.

CAPITAL MANAGEMENT

Management controls the capital of the Group comprising the liquid assets held by the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

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

	Consolidated Entity		**Parent Entity**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
NOTE 16. RESERVES				
Option premium reserve	262,922	235,697	262,922	235,697
Currency translation reserve	210,621	39,254	—	—
	473,543	274,951	262,922	235,697
MOVEMENTS IN OPTION PREMIUM RESERVE				
At the beginning of the financial year	235,697	235,697	235,697	235,697
250,000 options issued 6 July 2007	—	—	—	—
2,250,000 options issued 30 November 2007	27,225	—	27,225	—
AT THE END OF THE FINANCIAL YEAR	262,922	235,697	262,922	235,697

The accompanying notes form part of these financial statements

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
MOVEMENTS IN CURRENCY TRANSLATION RESERVE				
At the beginning of the financial year	39,254	—	—	—
Consolidation adjustment for the year	171,367	39,254	—	—
AT THE END OF THE FINANCIAL YEAR	210,621	39,254	—	—

The option premium reserve is used to accumulate the fair value of options issued.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

On 6 July 2007, the Company issued 250,000 free options exercisable at 25 cents each and expiring on 17 September 2009.The issue of these shares was ratified at the Annual General Meeting of shareholders held on 29 November 2007.

On 30 November 2007, the Company issued 2,250,000 free options to acquire ordinary shares in the Company. These options are exercisable at 25 cents each on or before 30 November 2010 and the issue of these options was approved at the Annual General Meeting of shareholders held on 29 November 2007. These options were valued on the date of issue at 1.21 cents each using the Black-Scholes methodology and based on a risk free rate 6.57% (the Commonwealth Government securities rate at 10 October 2007 with a maturity date approximating that of the expiration period of the incentive options), an underlying security spot price $0.14 (based on the price of the Company's shares as at 10 October 2007) and an expected price volatility of the Company's shares of 30%. For the purposes of the valuation, no future dividend payments have been forecast and it is assumed that the Incentive Options will not be exercised any earlier than the expiry date.

NOTE 17. CASH FLOW INFORMATION

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX				
Profit/(loss) after tax	(2,295,649)	(2,127,933)	(3,315,851)	(1,158,342)
Cash flows in profit/(loss) attributable to non-operating activities				
Exploration expenditure	135,963	767,732	14,365	137,076
Non-cash flows in profit/(loss)				
Amortisation	33,447	20,341	—	—
Depreciation of plant and equipment	41,406	27,419	24,220	23,092
Exploration expenditure written off	598,529	147,665	201,248	147,495
Cost of share based payment	27,225	—	27,225	—
Loss/(Profit) on disposal of investments	741	—	741	—
Loss/(Profit) on disposal of plant & equipment	2,239	—	1,963	—
Foreign exchange loss	197,888	39,693	—	—
Current investments mark to market	—	(2,100)	—	(2,100)
Charges to provisions	1,630	891	1,630	891
Loans tio subsidiaries written off	—	—	1,946,361	—
Intangibles written off	1,191	—	—	—
Changes in assets and liabilities				
Decrease/(increase) in debtors and receivables	34,660	(4,158)	(109,394)	20,899
Decrease/(increase) in inventories	(10,991)	—	24,853	—
Increase/(decrease) in creditors and accruals	(92,751)	158,999	(49,945)	86,869
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(1,324,472)	(971,451)	(1,232,584)	(744,120)
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at the end of the financial year is shown in the accounts as:				
Cash	206,346	66,975	178,891	61,911
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	206,346	66,975	178,891	61,911

NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year, options valued at $27,225 were issued.

There are no financing facilities in place for the Company.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
NOTE 18. AUDITOR'S REMUNERATION				
Remuneration of the auditor and a related entity of the Company for:				
Auditing or reviewing the financial report	37,339	27,000	37,339	27,000
Tax compliance services	26,710	11,640	26,710	11,640
Remuneration of other auditors of subsidiaries for:				
Auditing or reviewing the financial report of subsidiaries	15,626	—	—	—
Other services	—	—	—	—
	79,675	38,640	64,049	38,640

NOTE 19. EXPENDITURE COMMITMENTS

	2008	2007	2008	2007
Non-Cancellable operating leases contracted for but not capitalised in the accounts:				
Payable				
not later than one year	102,447	63,236	102,447	63,236
later than 1 year but not later than 5 years	—	60,601	—	60,601
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	102,447	123,837	102,447	123,837

The property lease is a non-cancellable lease which expires on 13 June 2009 with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased in line with the CPI per annum. The lease allows for subletting of all lease areas.

CAPITAL EXPENDITURE COMMITMENTS

Coal Seam Methane Projects
onshore Western Australia

The Company is the sole holder of a Special Prospecting Application ('SPA') for the area known as Eneabba North and an application has been made to convert the SPA into a drilling reservation. No expenditure will occur until the drilling reservation has been granted.

The Company is the sole holder of an Exploration Permit ('EP') for an area known as Eneabba South (EP455). The estimated expenditure requirements established under the permit for Eneabba South are $350,000 in year one and $380,000 in year two of the six year term ending in June 2013. Due to a delay in authorisation to shoot seismic, the commitments are carried forward and remain the same.

The Company is the holder of a SPA for the area known as Greenough Block and application has been made for an EP. The Company was granted the EP in August 2008 (EP462). The expenditure commitment is $340,000 for the year to 20 August 2009 and 350,000 for the year to 20 August 2010.

The Company is farming into the areas known as Treeton (SPA 1/03-4, previously DR8) and Vasse (DR10). The estimated expenditure requirements established under the permits for both Treeton and Vasse are based on the requirement to drill at least two wells to a minimum depth of 400m in the drilling reservation and a seismic survey in the SPA. The expenditure requirement for SPA1/03-4 is $80,000 in year one. The expenditure requirement for DR10 is $300,000 in year one.

The Company has applied for a new SPA for the area previously known as Yelverton (SPA 2/067) and the area is now referred to as Lewis Farm. No expenditure will occur until the SPA is converted to a DR.

The Company is continuing to farm into the Margaret River Exploration Permit (EP 445) and the Augusta Exploration Permit (EP 446). The estimated expenditure requirements established under the permit for Margaret River (EP445) are $828,000 by 15 March 2009 with the term ending in March 2012. The estimated expenditure requirements established under the permit for Augusta (EP446) are $920,000 by 15 March 2009 with the term ending in March 2012.

The Company's expenditure to farm into these SPA's, DR's and EP's is estimated as follows:

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Payable				
not later than one year	2,858,000	1,063,000	2,858,000	1,063,000
later than 1 year but not later than 5 years	690,000	1,035,000	690,000	1,035,000
later than 5 years	—	—	—	—
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	3,548,000	2,098,000	3,548,000	2,098,000

Oil and Gas Permits
Offshore Western Australia

On 24th August 2006 the Department of Industry and Resources granted Westralian Petroleum Ltd (a wholly owned subsidiary of Westralian Gas and Power Ltd) a 50% interest in two offshore oil and gas permits WA-381-P and WA-382-P for 6 years. In applying for the permits the Company bid a minimum guaranteed work program and also a secondary work program of $22,670,000 in total for both permits. The Company has now farmed out its 50% interest and therefore the Company's 50% share of the expenditure commitments are as follows:

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Payable				
not later than one year	770,000	690,000	—	—
later than 1 year but not later than 5 years	21,900,000	21,980,000	—	—
later than 5 years	—	—	—	—
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	22,670,000	22,670,000	—	—

Onshore Kentucky United States of America

The Company via its wholly owned USA subsidiary, Sunset Energy LLC, has acquired eight oil and gas leases in Kentucky USA. The Company's commitment on these leases is to produce oil each year thereby providing a royalty to the landowner. Wells in four of these leases are currently producing oil there are no further commitments. On the remaining four leases capital expenditure to provide for drilling a minimum of four wells will be required within 12 months.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Payable				
not later than one year	40,000	60,000	—	—
later than 1 year but not later than 5 years	—	—	—	—
later than 5 years	—	—	—	—
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	40,000	60,000	—	—

Coal Seam Methane Project
Onshore Western Australia

The Company is farming into a 87.5% share of a joint venture between Red Mountain Energy Pty Ltd and Flamestar Corporation Pty Ltd. The Company is farming into the areas known as Collie (SPA 3/03-4) and Wilga (SPA 4/03-4). Application has been made to convert both these SPA's into drilling reservations. No expenditure will occur until the drilling reservations have been granted.

Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report that are not recognised as liabilities and are not included in the key management personnel compensation.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Payable				
not later than one year	—	171,500	—	171,500
later than 1 year but not later than 5 years	—	—	—	—
later than 5 years	—	—	—	—
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	—	171,500	—	171,500

NOTE 20. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
REMUNERATION OF KEY MANAGEMENT PERSONNEL				
Short term employee benefits	512,843	403,313	512,843	403,313
Post employment benefits	4,954	2,700	4,954	2,700
Share based payment benefits	27,225	—	27,225	—
TOTAL REVENUE FROM CONTINUING OPERATIONS	545,022	406,013	545,022	406,013

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	Number of Ordinary Shares			
	1 July 2007 or Appointment	Issued as Remuneration	Net Change Other	30 June 2008 or Resignation
Peter Briggs	12,232,100	—	(1,630,565)	10,601,535
Stephen Leslie Thomas	10,528,963	—	(784,120)	9,744,843
Geoffrey Guild Hill	—	—	—	—
Alan Robert Burns	932,500	—	—	932,500
Dean McKenzie	—	—	—	—
Jack Toby	—	—	—	—
	23,693,563	—	(2,414,685)	21,278,878

OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	Number of Options			
	1 July 2007 or Appointment	Granted as Remuneration	Net Change Other	30 June 2008 or Resignation
Peter Briggs	4,000,000	—	—	4,000,000
Stephen Leslie Thomas	—	—	—	—
Geoffrey Guild Hill (appointed 29-Nov-07)	—	2,000,000	—	2,000,000
Alan Robert Burns (resigned 29-Nov-07)	3,000,000	—	—	3,000,000
Dean McKenzie (resigned 23 May 2008)	—	250,000	—	250,000
Jack Toby (appointed 23 May 2008)	—	—	—	—
	7,000,000	2,250,000	—	9,250,000

CONVERTING INCENTIVE PREFERENCE SHARES HELD BY KEY MANAGEMENT PERSONNEL

	Number of Shares			
	1 July 2007 or Appointment	Granted as Remuneration	Converted to Ordinary shares	30 June 2008 or Resignation
Peter Briggs	6,850,000	—	(6,850,000)	—
Stephen Leslie Thomas	6,850,000	—	(6,850,000)	—
Geoffrey Guild Hill (appointed 29-Nov-07)	—	—	—	—
Alan Robert Burns (resigned 29-Nov-07)	—	—	—	—
Dean McKenzie (resigned 23 May 2008)	—	—	—	—
Jack Toby (appointed 23 May 2008)	—	—	—	—
	13,700,000	—	(13,700,000)	—

All options are vested and exercisable.

NOTE 21. SHARE BASED PAYMENTS

During the year ended 30 June 2008 the following share based payments were issued by the Company and by the Consolidated Entity.

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	4,000,000	$0.30
Granted	2,250,000	$0.25
Forfeited	—	—
Exercised	—	—
Expired	—	—
OUTSTANDING AND EXERCISABLE AT YEAR END	6,250,000	$0.282

On 30 November 2007, the Company issued 2,000,000 free options to acquire ordinary shares in the Company to Mr Geoffrey Guild Hill. These options are exercisable at 25 cents each on or before 30 November 2010 and the issue of these options was approved at the Annual General Meeting of shareholders held on 29 November 2007.

On 30 November 2007, the Company issued 250,000 free options to acquire ordinary shares in the Company to Mr Dean McKenzie. These options are exercisable at 25 cents each on or before 30 November 2010 and the issue of these options was approved at the Annual General Meeting of shareholders held on 29 November 2007.

The primary purpose for the issue of the options to directors and executives is designed to encourage the performance of the Directors and executives. These options were valued on the date of issue at 1.21 cents each using the Black-Scholes methodology and based on a risk free rate 6.57% (the Commonwealth Government securities rate at 10 October 2007 with a maturity date approximating that of the expiration period of the incentive options), an underlying security spot price $0.14 (based on the price of the Company's shares as at 10 October 2007) and an expected price volatility of the Company's shares of 30%. For the purposes of the valuation, no future dividend payments have been forecast and it is assumed that the Incentive Options will not be exercised any earlier than the expiry date.

The cost of share based payments for the year ended 30 June 2008 was $27,225 (2007: Nil).

During the year ended 30 June 2007 the following share based payments were issued by the Company and by the Consolidated Entity.

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	4,000,000	$0.30
Granted	—	—
Forfeited	—	—
Exercised	—	—
Expired	—	—
OUTSTANDING AND EXERCISABLE AT YEAR END	4,000,000	$0.30

NOTE 22. SEGMENT INFORMATION

PRIMARY REPORTING BUSINESS SEGMENTS

During the year ended 30 June 2008 and also during the year ended 30 June 2007, the Consolidated Entity operated entirely in the oil and gas industry.

There were no transactions between the geographical segments other than the parent company loaning the subsidiary funds for its operations and the parent company charging the subsidiary a management fee.

SECONDARY REPORTING GEOGRAPHICAL SEGMENTS

	External Revenue $	Inter-Segment Revenue $	Total Revenue $	Segment Profit /(Loss) $	Segment Assets $	Segment Liabilities $
YEAR TO 30 JUNE 2008						
Australasia	150,019	120,000	270,019	(1,394,672)	255,439	105,116
North America	87,124	—	87,124	(900,977)	269,726	30,301
Intersegment elimination	—	—	(120,000)	—		
TOTAL	237,143	120,000	237,143	(2,295,649)	525,165	135,417

	External Revenue $	Inter-Segment Revenue $	Total Revenue $	Segment Profit /(Loss) $	Segment Assets $	Segment Liabilities $
YEAR TO 30 JUNE 2007						
Australasia	44,865	120,000	164,865	(1,299,129)	1,290,139	274,771
North America	98,700	—	98,700	(828,804)	241,365	1,045,874
Intersegment elimination	—	—	(120,000)	—	(1,119,939)	(1,119,939)
TOTAL	143,565	120,000	143,565	(2,127,933)	411,565	200,706

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

NOTE 23. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
	2008	2007	2008 $	2007 $	2008 $	2007 $
Parent Entity						
Westralian Gas and Power Limited					(1,369,490)	(1,158,342)
Entities controlled by Westralian Gas and Power Limited						
Westralian Petroleum Ltd	100%	100%	10	10	(24,512)	(140,787)
Sunset Energy LLC	100%	100%	—	—	(900,977)	(828,804)
Sunset Energy Pty Ltd	100%	—	100	—	(670)	—
			110	10	(2,295,649)	(2,127,933)

Sunset Energy LLC is registered in the State of Delaware in the United States of America.

During the year, the Parent Entity incorporated Sunset Energy Pty Ltd. The results of Sunset Energy Pty Ltd have been included in the Consolidated Entity from the date of its registration on 17 December 2007.

NOTE 24. SUPERANNUATION COMMITMENTS

The Company makes contributions to complying superannuation funds based on the requirements of the Australian Superannuation Guarantee Charge or such higher amount as has been agreed with individual employees. There is a legally enforceable obligation on the Company to contribute to the superannuation plan for those contributions that have been agreed with individual employees as part of their conditions of employment.

NOTE 25. CONTINGENT LIABILITIES

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

NOTE 26. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries, which arise directly from its operations. The Group's policy is that no trading in financial instruments shall be undertaken. The main purpose of non-derivative financial instruments is to finance Group operations. Derivatives are not used by the Group and the Group does not speculate in the trading of derivative instruments.

TREASURY RISK MANAGEMENT

The Board considers the Group's financial risk exposure and treasury management strategies in the context of the Group's operations. The Board's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. The Board reviews each of these risks on an on-going basis.

INTEREST RATE RISK

The Group has no debt that requires the payment of interest.

FINANCIAL INSTRUMENTS	TERMS AND CONDITIONS AND INTEREST RATE RISK
Bank Deposits	Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk.
Receivables	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Accounts Payable	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.

FOREIGN CURRENCY RISK

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency. The Group is also exposed to fluctuations in foreign currencies arising from deposits with banks denominated in foreign currencies. The Group does not seek to hedge this exposure.

LIQUIDITY RISK

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are available through on-going business activity, the sale of assets, joint venture arrangements and capital raising.

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There are no material amounts of collateral held as security at 30 June 2008. Credit risk is managed on a Group basis and reviewed by the Board. It arises from exposures to customers as well as through deposits with financial institutions. The Board monitors credit risk by actively assessing the quality and liquidity of counter parties, consequently only banks are utilised for deposits and all potential customers are assessed for credit worthiness taking into account their size, market position and financial standing. The counterparties included in trade and other receivables at 30 June 2008 are not rated, however given the amount and nature of these financial instruments, the Board is satisfied that they represent a low credit risk for the Group. There are no significant concentrations of credit risk within the Group.

PRICE RISK

The Group is exposed to commodity price risk through its own activities and its joint venture interests. Oil and gas prices have improved substantially over the last 12 months and the Group does not currently hedge the price it sells oil and gas at.

FINANCIAL INSTRUMENT COMPOSITION AND MATURITY ANALYSIS

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Consolidated Entity		**Parent Entity**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
TRADE AND SUNDRY PAYABLES ARE EXPECTED TO BE PAID AS FOLLOWS:				
Less than 6 months	132,253	199,172	101,950	127,042
6 months to 1 year	—	—	—	—
later than 1 year but not later than 5 years	—	—	—	—
over 5 years	—	—	—	—
	132,253	199,172	101,950	127,042

FAIR VALUES

The aggregate net fair values of the Consolidated Entity’s financial assets and financial liabilities, both recognised and unrecognised are as follows:

	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2008 $	AGGREGATE NET FAIR VALUE 2008 $	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2007 $	AGGREGATE NET FAIR VALUE 2007 $
Financial Assets				
Cash assets	206,346	206,346	66,975	66,975
Receivables	19,642	19,642	52,702	52,702
Other financial assets	—	—	4,591	4,591
Financial Liabilities				
Payables	132,253	132,253	199,172	199,172

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

Cash assets and financial assets are carried at amounts approximating fair value because of their short term nature to maturity. Receivables and payables are carried at amounts approximating fair value.

Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

INTEREST RATE SENSITIVITY ANALYSIS

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Entity		**Parent Entity**	
	2008 $	**2007 $**	**2008 $**	**2007 $**
CHANGE IN PROFIT DUE TO::				
Increase in interest rate by 2%	12,986	8,141	12,865	7,943
Decrease in interest rate by 2%	(12,986)	(8,141)	(12,865)	(7,943)
CHANGE IN EQUITY DUE TO::				
Increase in interest rate by 2%	12,986	8,141	12,865	7,943
Decrease in interest rate by 2%	(12,986)	(8,141)	(12,865)	(7,943)

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
CHANGE IN PROFIT DUE TO::				
Improvement in AUD to USD by 5%	45,920	10,715	—	—
Decline in AUD to USD by 5%	(41,556)	(9,691)	—	—
CHANGE IN EQUITY DUE TO::				
Improvement in AUD to USD by 5%	45,920	10,715	—	—
Decline in AUD to USD by 5%	(41,556)	(9,691)	—	—

NOTE 27. RELATED PARTY TRANSACTIONS

The Company is a single entity and is not controlled by any other entity.

On 30 November 2007, the Company issued 2,000,000 free options to acquire ordinary shares in the Company to Mr Geoffrey Guild Hill. These options are exercisable at 25 cents each on or before 30 November 2010 and the issue of these options was approved at the Annual General Meeting of shareholders held on 29 November 2007. The primary purpose for the issue of these options is designed to encourage the performance of the Directors and executives. These options were valued on the date of issue at 1.21 cents each using the Black-Scholes methodology and based on a risk free rate 6.57% (the Commonwealth Government securities rate at 10 October 2007 with a maturity date approximating that of the expiration period of the incentive options), an underlying security spot price $0.14 (based on the price of the Company's shares as at 10 October 2007) and an expected price volatility of the Company's shares of 30%. For the purposes of the valuation, no future dividend payments have been forecast and it is assumed that the Incentive Options will not be exercised any earlier than the expiry date.

During the year ended 30 June 2008, the Company lent monies to its subsidiaries totalling $706,421 and as at 30 June 2008 this amount has been written off.

During the year ended 30 June 2008, the Company earned management fees from its subsidiaries of $120,000.

Natural Resource Finance Pty Ltd received benefits of $115,750 (2007: $106,000) from the Company for services performed by Mr Peter Briggs, a director of the Company. This remuneration received by Natural Resource Finance Pty Ltd is included in the remuneration of Mr Peter Briggs in the Remuneration Report which is within the Directors' Report.

At 30 June 2008, directors and their related entities held directly, indirectly or beneficially 20,346,378 ordinary shares in the Company and 6,000,000 options over ordinary shares in the Company.

At 30 June 2007, directors and their related entities held directly, indirectly or beneficially 23,693,563 ordinary shares and 13,700,000 converting incentive preference shares in the Company and 7,000,000 options over ordinary shares in the Company.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Payments to Director Stephen Thomas				
In addition to a consultancy arrangement with the Company which is disclosed in the Directors remuneration note, Mr Stephen Thomas also provided seismic survey equipment and accommodation services to the Company. The amounts paid to Mr Thomas for the use of this equipment and provision of these services were	—	98,269	—	33,503
TOTAL	—	98,269	—	33,503

During the year ended 30 June 2008, Mr Stephen Thomas charged $12,622 for the rental of seismic equipment to a contractor who provided seismic services to the Company.

CONTRACTUAL ARRANGEMENTS WITH DIRECTOR RELATED ENTITIES

FLAMESTAR SHARE PURCHASE OPTION AGREEMENT

Non Executive director Mr Burns controlled Flamestar Corporation Pty Ltd (Flamestar). Mr Burns resigned as a director of the Company on 29 November 2007. The Flamestar Share Purchase Option Agreement refers to Application for SPA 3/03-4 (Collie) and Application for SPA 4/03-4 (Wilga) in which Flamestar Corporation Pty Ltd (Flamestar) has a 50% interest, the other 50% interest being held by Red Mountain Energy Pty Ltd (RME). The Flamestar Share Purchase Option Agreement gave the Company the option to purchase the only issued share in Flamestar. The share is currently held by director Alan Burns. This option could be exercised within 3 years of the date of the Flamestar Share Purchase Option Agreement, but not until at least one of the Applications mentioned above has been granted and converted into a title as defined in section 69J of the Act. The price payable for the share in Flamestar is the market value of that share as determined by an expert. The expert is to be chosen by agreement of the parties or failing agreement within 14 days by the President of the Institute of Chartered Accountants. The Flamestar Share Purchase Option Agreement expired on 28 October 2007.

The parties to the Flamestar Share Purchase Option Agreement are the Company as purchaser, Alan Robert Burns as vendor and director of Flamestar, and Flamestar. The Company could have elected to pay the price for the share in Flamestar in cash or shares in the Company, determined by their volume weighted average share price traded on the ASX over the 20 trading days immediately preceding the date of exercise of the option. The Flamestar Share Purchase Option Agreement provided for those shares to be subject to escrow conditions if required under the Listing Rules. The Flamestar Share Purchase Option Agreement contained warranties by the vendor including warranties as to the vendor's unencumbered title to the share in Flamestar and that it comprises the entire issued capital of Flamestar.

RME FARM IN AGREEMENT

The RME Farm-in Agreement is between Red Mountain Energy Pty Ltd (RME), an entity controlled by director Stephen Thomas and the Company. Under it the Company may earn a 100% interest in the following Titles when granted:

- Drilling Reservation Licence DR7
- Exploration Permit EP1/03-4 and Exploration Permit 2/03-4
- Titles applied for when the Company has farmed into SPA's 1/03-4, 2/03-4 and 5/4-05

To earn these interests and an 87.5% interest in the Titles applied for in respect of SPAs 3/03-4 and 4/03-4, the Company must reimburse $150,000 to RME within 18 months of the grant of Drilling Reservation Licence DR7 and complete the farm-in obligations.

There are farm-in obligations for each Title. For Drilling Reservation Licence DR7 the Company must drill 3 wells and complete the minimum expenditure commitments applicable to the licence which will include drilling two additional wells and completing a seismic survey. For each Exploration Permit the Company must complete minimum expenditure commitments of 35km of seismic survey and 1 well to 600 metres in the first year and 25km of seismic survey and 3 wells in the second year.

For SPA 1/03-4 the Company must conduct 30km of seismic survey. For SPA 2/03-4 the Company must meet the specified minimum expenditure commitments, being to conduct 35km of seismic survey and for SPA 5/04-5 the Company must meet the specified minimum expenditure commitments, being to conduct 30km of seismic survey.

Under the RME Farm-in Agreement the Company may also earn an 87.5% interest in the Titles applied for in respect of SPAs 3/03-4 and 4/03-4 currently the subject of the Exploration JVA (refer below). Within 6 months of the grant of the relevant SPA the Company must meet specified minimum expenditure commitments being to conduct 20km of seismic survey for SPA 3/03-4 and 15km of seismic survey for SPA 4/03-4.

At the time that RME transfers to the Company an 87.5% earned interest in the Titles applied for in respect of SPAs 3/03-4 and 4/03-4, RME will assign to the Company its interest in the Exploration JVA (refer below).

While it is performing its farm-in obligations the Company is appointed the operator to carry out all activities in respect of those titles and accordingly, has Operator Rights.

RMEI Royalty

Under the RMEI Royalty, the Company must pay Red Mountain Energy Inc. (RMEI) a 2.25% royalty in respect of the royalty value (as defined in the Petroleum Act 1967) of petroleum recovered from each Royalty Title. Royalty Titles are those transferred to the Company pursuant to the RME Farm-In Agreement.

The royalty will be payable at the same time as that payable to the Minister under the Act. If no royalty is payable to the Minister under the Act, then no royalty is payable under the RMEI Royalty. If the Company is able to negotiate a reduced royalty arrangement with the Minister in respect of a Royalty Title, then the amount of royalty payable by the Company under the RMEI Royalty in respect of that Royalty Title will be reduced for the same period and in the same proportion.

Exploration JVA

The Exploration JVA is between RME and Flamestar and provides for the exploration pursuant to SPA's granted pursuant to the applications for SPA 3/03-4 and 4/03-4. The participating interests of RME and Flamestar are 50% each, with RME being the manager of the joint venture.

The Exploration JVA is binding on the parties, but upon request by a party is to be replaced by a more formal joint operating agreement. The Exploration JVA is preliminary in nature and does not contain the detailed provisions contained in a formal joint venture agreement to deal with matters like the manager's powers and default. The Exploration JVA does make provision for programmes and budgets and a management committee. Decisions of the management committee are by majority vote and accordingly unanimous approval will be required for programmes and budgets.

Director-related Entities

Executive Chairman Mr Briggs is paid consulting fees via his controlled entity Natural Resource Finance Pty Ltd. Fees paid to this Company are disclosed in the directors remuneration note.

Non Executive director Mr Burns controlled Flamestar Corporation Pty Ltd (Flamestar). Mr Burns resigned as a director of the Company on 29 November 2007. As disclosed above Flamestar has a 50% share in a fully contributing joint venture with the Company. Mr Burns also controls Lempika Pty Ltd and Emphazise Pty Ltd which are part owners of the Offshore Oil Permits in which Westralian Petroleum Ltd has a 50% interest. Westralian Petroleum has paid some minor costs where it has not recouped the portion owing by these two entities.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Receivable from Natural Resource Finance Pty Ltd at year end	—	4,295	—	4,295
Amount owing to Lempika Pty Ltd and Emphazise Pty Ltd	—	206	—	206
Amount owing to Alan Burns	—	30,000	—	30,000
Amount owing to Stephen Thomas	18,000	18,000	18,000	18,000
Managing Director, Mr Stephen Thomas, controls Red Mountain Energy Inc (RMEI) which is paid a fee for equipment rental used by the Company's subsidiary Sunset Energy LLC. Payments to Red Mountain Energy Inc	42,566	—	—	—
Managing Director, Mr Stephen Thomas, controls Red Mountain Energy Inc (RMEI) which is paid a rental fee for premises used by the Company's subsidiary Sunset Energy LLC. Payments to Red Mountain Energy Inc	9,418	14,139	—	—

At 30 June 2008, Sunset Energy LLC, a wholly owned subsidiary of the Company owed US$25,134 to Red Mountain Energy Inc, an entity controlled by director Stephen Thomas (2007: Nil).

NOTE 28. DIVIDENDS

No dividends have been paid or proposed during the year.

NOTE 29. JOINT VENTURE INTERESTS

The Company has a joint venture with a Director related entity, Flamestar Corporation Pty Ltd (Flamestar). The joint venture is a fully contributing joint venture with each partner contributing their share of the exploration costs. The Exploration Joint Venture Agreement is between the director related entity Red Mountain Energy Pty Ltd (RME) and Flamestar and provides for the exploration pursuant to SPA's granted pursuant to the applications for SPA 3/03-4 and 4/03-4. The participating interests of RME and Flamestar are 50% each, with RME being the manager of the joint venture. Westralian Gas and Power Ltd is farming into the RME interest in the joint venture.

NOTE 30. EVENTS SUBSEQUENT TO BALANCE DATE

On 21 August 2008, the Company announced the signing of a memorandum of understanding (MOU) today with Oswal Resources Pty Ltd ("Oswal") covering all of the onshore Western Australian Mining and Petroleum Leases held by the Company. Under the terms of the MOU, Oswal and the Company have 3 months to finalise a Joint Venture Agreement pursuant to which Oswal Resources will fund 100 percent of the exploration on the Company's leases in south west and mid west Western Australia to a bankable feasibility, to earn a 75% interest. Exploration of the Mining and Petroleum Leases is to include, coal, coal seam methane gas, conventional hydrocarbons and the prospects of underground coal gasification. The transaction will be conditional on various matters including due diligence and approvals. The agreement also requires a payment of $200.000 to the Company and payment of an amount equal to the lesser of the amount spent by the Company or by any of its subsidiaries directly in relation to exploration of the Resource Titles between the date of their grant and the date of this Memorandum, including application fees, rental, rates, accounting fees, legal fees, overheads and any other fees, costs or expenses incurred in relation to them (which must be evidenced by production of accounts and receipts); and $2,500,000 by equal annual payments over a three year period.

On 26 September 2008, the Company received a letter from Natural Resource Finance Pty Ltd, a company associated with Mr Peter Briggs, a director of the Company, whereby Natural Resource Finance Pty Ltd agreed to provide sufficient cash funds on an interest free basis to the Company to cover all creditors of the Company and its subsidiaries as and when required to a maximum of $400,000. Natural Resource Finance Pty Ltd has agreed that it will not demand repayment of any such funds provided until at least October 2009. The directors regard this as an interim facility pending the completion of asset sales, capital raising or other arrangements that will generate cash funds for the Company.

There have been no other conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares.

No other matters or circumstances have arisen since the end of the financial year 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 future financial years.

BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS WESTRALIAN GAS & POWER LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Westralian Gas & Power Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion the financial report of Westralian Gas & Power Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001; and*

(c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report. The consolidated entity has incurred a net loss of $2,295,649 during the year ended 30 June 2008 and, the consolidated entity's operating cash flow for the year indicated a net cash out flow of $1,324,472.

The Consolidated Entity has indicated in Note 2 its reliance upon positive cash flows from its oil permits in the United States of America to support its ability to continue as a going concern. The ability of the oil permits to produce positive cash flows has a number of variables and therefore there is also significant uncertainty as to the ability of the oil permits to produce positive cash flows to assist the company with its going concern basis.

The company has indicated in Note 2 that it has received an interim financing facility of $400,000 for the payment of creditors.

These conditions along with the other matters set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and Consolidated Entity's ability to continue as a going concern and therefore, whether they will realize their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

BDO Kendalls

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report within the directors' report of Westralian Gas & Power Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

BDO Kendalls Audit & Assurance Pty Ltd.

BDO Kendalls

C Burton

Chris Burton
Director

Subiaco. Western Australia
Dated this 30th day of September 2008

BDO Kendalls

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ABN 79 112 284 787

30 September 2008

The Directors
Westralian Gas & Power Limited
Suite 1, 46 Ord Street
WEST PERTH WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF WESTRALIAN GAS & POWER LIMITED

As lead auditor of Westralian Gas & Power Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Yours faithfully

C Burton

Chris Burton
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd

ANALYSIS OF HOLDINGS OF LISTED SHARES AND OPTIONS IN THE COMPANY

	Ordinary Shares	Options expiring 17 Sep 2009 25 cents
1 — 1,000	122	0
1,001 — 5,000	121	1
5,001 — 10,000	201	93
10,001 — 100,000	623	177
100,001 — and over	104	40
Total number of holders	1,171	311
Holdings of less than a marketable parcel	207	

ANALYSIS OF HOLDINGS OF UNLISTED SHARES AND OPTIONS IN THE COMPANY

	Options expiring 17 Sep 2009 30 cents	Options expiring 30 Nov 2008 30 cents	Options expiring 30 Nov 2010 25 cents
1 — 1,000	0	0	0
1,001 — 5,000	0	0	0
5,001 — 10,000	0	0	0
10,001 — 100,000	0	0	0
100,001 — and over	1	2	2
Total number of holders	1	2	2

REGISTERED OFFICE OF THE COMPANY

Suite 1
46 Ord St
West Perth
Western Australia 6005

Tel: +61 (8) 9322 6955
Fax: +61 (8) 9322 6722

STOCK EXCHANGE LISTING

Quotation has been granted for all ordinary shares and all options expiring 17 September 2009 on the Australian Securities Exchange. The State Office of Australian Securities Exchange in Perth, Western Australia has been designated the Home Branch of Westralian Gas and Power Limited.

There are no current on-market buy-back arrangements for the Company.

A Level One American Depositary Receipt (ADR) program has been declared eligible by the US Securities and Exchange Commission. The Bank of New York Mellon had been appointed as the depositary bank for the ADR program. A Level One ADR program facilitates the purchase of Westralian Gas and Power shares by US investors. Under the program, one ADR is equivalent to 200 ordinary shares of Westralian Gas and Power. The ADRs trade in the US over-the-counter (OTC) market under the ADR trading symbol WGPRY and the CUSIP number is 961436102.

SHARE REGISTRY

The registers of shares and options of the Company are maintained by:-

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000

Tel: +61 (8) 9323 2000
Fax: +61 (8) 9323 2033

COMPANY SECRETARY

The name of the Company Secretary is Jack Hugh Toby.

TAXATION STATUS

Westralian Gas and Power Limited is taxed as a public company.

VOTING RIGHTS

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

	Number of Shares	Percentage of Total
Sunbeam Securities Pty Ltd	9,492,210	12.72%
Mr Stephen Leslie Thomas	9,008,670	12.07%
Dobco Superannuation Pty Ltd	1,250,000	1.68%
Bouta Pty Limited	1,118,650	1.50%
York Heritage Pty Ltd	1,100,655	1.47%
Kyle Parade Pty Ltd	996,500	1.34%
Mr David Frederick Hughes	800,000	1.07%
Mr Richard Edward Lording	800,000	1.07%
Delfur Pty Limited	779,500	1.04%
Parkes Holdings Pty Limited	750,000	1.01%
Dwellers Nominees Pty Ltd	675,000	0.90%
Kyle Parade Pty Ltd	662,066	0.89%
Woree Investments Pty Ltd	632,210	0.85%
Ms Sandra Toby + Mr Jonathan Moshe Toby	600,000	0.80%
Mr Stephen Thomas	561,173	0.75%
Philp Holdings Pty Ltd	532,210	0.71%
Barry David Nominees Pty Ltd	500,000	0.67%
Traders Macquarie Pty Ltd	500,000	0.67%
Mr Raymond Muskett	486,210	0.65%
Mr Trevor John Bowan	415,000	0.56%
	31,660,054	42.42%

TWENTY LARGEST HOLDERS OF 30 CENT OPTIONS EXPIRING 17 SEPTEMBER 2009

	Number of Options	Percentage of Total
New Resource Holdings Pty Ltd	4,000,000	100.00%
	4,000,000	100.00%

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 30 NOVEMBER 2008

	Number of Options	Percentage of Total
Burns Family Investments WA Pty Ltd	3,000,000	75.00%
Sandra Lee Fromson	1,000,000	25.00%
	4,000,000	100.00%

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 30 NOVEMBER 2010

	Number of Options	Percentage of Total
Geoffrey Guild Hill	2,000,000	88.89%
Dean McKenzie	250,000	11.11%
	2,250,000	100.00%

TWENTY LARGEST HOLDERS OF 25 CENT OPTIONS EXPIRING 17 SEPTEMBER 2009

	Number of Options	Percentage of Total
Philippa Jean Newton Jones	650,000	4.00%
Mr Roy Peter Wiseman + Mr Benjamin Adam Wiseman	500,000	3.08%
Mr Geoffrey Vernon Butcher + Mrs Wendy Anne Butcher	460,000	2.83%
Mr Raymond Muskett	430,000	2.65%
Mr Terence Mccarthy	400,000	2.46%
Dr Eugene Riwoe	399,500	2.46%
Mrs Franca Cettina Todaro	396,732	2.44%
Rachiner Investments Pty Ltd	270,000	1.66%
Mr Andrew John Lehmann	255,000	1.57%
Bottomless Pit Pty Ltd	242,767	1.49%
Moye (Wa) Pty Ltd	234,000	1.44%
Mr James Edward Drinnan	226,800	1.40%
Mr Grant Raymond Dinse	220,000	1.35%
Mr Talal Tabikh	220,000	1.35%
Mr Jeffrey Glyn Cunnane	208,000	1.28%
Coolabah Holdings Pty Limited	200,000	1.23%
Mr David Scott Morgan + Mrs Bronwyn Simone Morgan	200,000	1.23%
Mr Richard Newton + Mrs June Newton	200,000	1.23%
Mr Maurice Edward Turner + Mrs Margaret Dawn Turner	200,000	1.23%
Ms Mandy Lee Lindsay	198,300	1.22%
	6,111,099	37.60%

INTERESTS IN OIL & GAS TENEMENTS

LEASE	INTEREST
AUSTRALIA	
EP 455	100.00%
EP 462	100.00%
EL 70/3478 (application)	100.00%
DR 4/05-6	100.00%
EL 70/2738	100.00%
KENTUCKY USA *	
Riddle Lease: 250 acres	100.00%
Stockton Lease: 123 acres	100.00%
Carter Lease: Approx 600 acres	100.00%
Dyer Lease: Approx 800 acres	100.00%
Davis Lease: Approx 220 acres	100.00%
Shepherd Lease: Approx 650 acres	100.00%
Higginbotham Lease: Approx 700 acres	100.00%
Noah Hollow: Approx 250 acres	100.00%

* All leases in Kentucky USA are subject to a 12.5% royalty to the landowner.

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
12-Mar-2008	SLT Family Trust & The Harley Super Fund & Stephen Leslie Thomas	9,744,843
12-Mar-2008	York Heritage Pty Ltd & Natural Resource Finance Pty Ltd & Sunbeam Securities Pty Ltd Sunbeam Superannuation Fund A/c	10,601,535

PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

INTRODUCTION

The directors are focussed on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the recommendations with which the Company does not strictly comply.

The following section addresses the Company's practices in complying with the principles.

PRINCIPLE 1: LAYING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

The Board exists to lead and oversee the management and direction of the Company.

After appropriate consultation with executive management the Board:

- defines and sets its business objectives and subsequently monitors performance and achievements of those objectives;
- it oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and a review of executive management of the Company;
- monitors and approves financial performance and budgets; and
- reports to shareholders.

PRINCIPLE 2: STRUCTURING THE BOARD TO ADD VALUE

Composition of the Board

The names of the directors of the Company and their qualifications are: set out in the section headed Directors' Report in the Annual Report for the year ended 30 June 2008.

The composition of the Board is determined so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

The recommendations of best practice are that a majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- does not hold an executive position;
- is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
- has not within the last 3 years been employed in an executive capacity by the Company or another Group member or been a director after ceasing to hold such employment;
- is not a principal of a professional adviser to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the Company or any other Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

None of the Board members meet these criteria except for Mr Alan Burns to the date of his resignation on 29 November 2007 and Mr Geoffrey Hill from the date of his appointment on 29 November 2007. Mr Peter Briggs is the chairman of the Board.

Nomination of Other Board Members

Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives. The Board does not believe that at this point in the Company's development it is necessary to appoint additional directors.

Independent Advice

Each of the directors is entitled to seek independent advice at the Company's expense to assist them to carry out their responsibilities however prior approval of the Chairman is required which is not unreasonably withheld.

PRINCIPLE 3: PROMOTION OF ETHICAL AND RESPONSIBLE DECISION-MAKING

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. The Company policy in relation to share trading is that officers are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Company. That is information which a reasonable person would expect to have a material affect on the price or value of the Company's shares. It is recommended that an officer discuss the proposal to acquire or sell shares with the directors or the Company Secretary prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in shares must be notified to the ASX.

Principle 4: Safeguarding Integrity in Financial Reporting

No audit committee has been established. The two executive directors play an active role in monitoring the daily affairs of the Company. As a result of the scale of operations it has not been considered necessary to form sub-committees.

Each Board member has access to the external auditors and the auditor has access to each Board member.

A director does make a statement to the shareholders that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Principle 5: Making Timely and Balanced Disclosure

All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.

The Company Secretary is the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

Principle 6: Respecting the Rights of Shareholders

The Board's fundamental responsibility to shareholders is to work towards meeting the Company's objectives so as to add value for them.

The Board seeks to inform shareholders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports;
- preparing quarterly cash flow reports and reports as to activities;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- hosting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report together with notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the Company who is invited to the Annual General Meeting.

Principle 7: Recognising and Managing Risk

The Board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the Company.

The risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The Company identifies and manages those risks on a case by case and overall corporate basis.

PRINCIPLE 8: ENCOURAGING ENHANCED PERFORMANCE

The Board regularly discusses and reviews its performance. The Board also discusses with each director their requirements, performances and aspects of involvement in the Company.

PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

There is no formal remuneration committee.

One third of the directors retires annually in accordance with the Constitution and is free to seek re-election by shareholders.

Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a director of the Company.

A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. In determining the allocation the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

PRINCIPLE 10: RECOGNISING THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The Company recognises its responsibilities extend beyond its shareholders to clients, customers, consumers and regulators. The Company is committed to providing an adequate level of detail for the benefit of all stakeholders, the accuracy in that detail, and to meeting principles of equity and fairness in all of its dealings.

TABLE OF DEPARTURES AND EXPLANATIONS (FROM THE RECOMMENDATIONS OF THE ASX CORPORATE GOVERNANCE COUNCIL)

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
1.1	There was no formalisation and disclosure of separate functions between the Board and management during the reporting period.	Throughout the reporting period the Board consisted of between one and two non-executive and between two and three executive directors. The executive directors were involved in the overall management of the Company. The practices followed were compatible with the Principle.
2.1 and 2.2	None of the current Board members meet these criteria.	Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that there is an adequate and broad mix of skills required and that given their experience each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
2.4	A separate Nomination Committee has not been formed.	The Board comprises three members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict.
3.1	No formal code of conduct has been established as to practices necessary to maintain confidence in the Company's integrity or as to reporting and investigating unethical practices.	The Board and management consists of appropriately qualified and experienced members. It is not considered that a code of conduct or reporting guide is yet necessary. The principles are followed.
3.2	No formal policy concerning trading in the Company securities by directors, officers or employees has been disclosed.	Although there was no written policy there is a clear understanding as to when trading is inappropriate.
4.1	The chief executive officer and the chief financial officer did not make any written representations to the Board on the Company's financial reports.	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that such procedures be formalised.
4.2, 4.3 and 4.4	No formal audit committee has been established or formal charter drawn	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that a formal audit committee be established or a charter be drawn.
5.1	No written policy and procedure exists to ensure compliance with ASX Listing Rules disclosure requirements are met at senior management level.	The Board and management consists of appropriately qualified and experienced members and the Board does not consider that a written policy is at this time required. However, The Board's practice is to comply strictly with ASX Listing Rules and disclosure requirements and whenever in doubt, contact has been made promptly with the ASX seeking advice.

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
6.1	The Company has no formal communication strategy in place for the benefit of its shareholders.	The Board is very conscious of the need to continually keep shareholders and markets advised. The development and regular update of the Company's web-page provides a continuous communication channel which ensures shareholders and the markets are adequately informed about its activities results.
7.1 and 7.2	There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters.	Given the nature and size of the Company, its business interests and the involvement of all directors it is not considered necessary to establish this practice at this time, however the principles are adopted in circumstances where an event or issue is deemed to require it.
8.1	There has been no formal disclosure of the process for performance evaluation of the Board, committees, individual directors and key executives. No formal review has been undertaken.	Given the size of the Company and the involvement of all directors a policy has not been required to date. The directors continually monitor, review and discuss performance and implement changes as necessary.
9.1	The Company has not disclosed remuneration policies.	Given the size and nature of the Company, its business interests, remuneration and other benefits paid to its directors, the Board does not consider it yet to be necessary to formulate the policies. At the appropriate time the Board will take independent advice.
9.2	No formal remuneration committee has been established.	Given the explanation above it is not considered necessary to establish a remuneration committee.
10.1	There has been no disclosure of a code of conduct to deal with compliance for legal or other obligations to legitimate stakeholders.	The business practices adopted by the Board recognise this principle but no formal code has been drawn-up or approved.