Westralian Gas and Power Limited

ABN 53 109 213 470

Annual Report 2009

CORPORATE DIRECTORY

DIRECTORS:	Peter Briggs (Chairman) Stephen Thomas Kristian Barnes
COMPANY SECRETARY:	Jack Hugh Toby FCA AACS
ABN:	53 109 213 470
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SHARE REGISTRY:	Computershare Investor Services Pty Ltd 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 2009. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company 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
Kristian John Barnes (appointed: 1 May 2009)
Geoffrey Guild Hill (resigned: 26 March 2009)

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 $1,982,230 (2008: $2,295,649).

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 2009.

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 21 August 2008, the Company announced the signing of a memorandum of understanding (MOU) 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 would finalise a Joint Venture Agreement within 3 months 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.

On 1 October 2008, the Company announced that it had issued 10,000,000 options exercisable at $0.05 each and expiring on 1 October 2011 ("Options"). The Options were issued pursuant to an agreement to acquire all of the issued shares in Flamestar Corporation Pty Ltd ("Flamestar"). Consideration for the acquisition being the issue of the Options plus $30,000 as reimbursement of funds expended in relation to Flamestar's tenement interests. Flamestar holds a 12.5% free carried interest in tenement EL70/2738 and applications for drilling reservations 2/05-6 and 3/05-6 in Western Australia. Flamestar has no other assets or liabilities. The acquisition of Flamestar completes the acquisition by Westralian of 100% of Westralian's Collie and Wilga permits. The directors believe that both of these basins contain significant amounts of coal and may contain coalseam methane as well as minable coal.

On 13 October 2008, the Company announced that it had entered into a loan facility for $150,000. This loan was unsecured and interest free and repayable by 31 December 2008. Pursuant to the loan agreement, the Company agreed to approve and accept, subject to approval by the shareholders of the Company in General Meeting of appropriate resolutions authorizing the Board of the Company to so do, applications from the Lender or the Lender's nominee for fully paid ordinary shares in the Company at either 3 cents per share or at an issue price of no less than 80% of the average market price for shares calculated over the 5 days on which sales in shares are recorded on ASX before the day on which the issue is made, together with applications from the Lender or the Lender's nominee for options to acquire shares in the Company for 5 cents each expiring on 1 October 2011 to be issued at an issue price of 0.1 cent per option on the basis of two options for each share subscribed for, for a total amount (comprising the cost of the shares applied for plus the issue price of the options applied for) equal to the principal amount, provided that the applications are received from sophisticated or professional investors for the purposes of the Corporations Act. The full terms and conditions of the options will be the same as the existing options on issue with the same expiry date. In addition the Company has agreed, subject to approval by the shareholders of the Company in General Meeting of resolutions, or other circumstances, which permit the Board of the Company to so do in compliance with the ASX Listing Rules, to provide a loan arrangement fee of 2,500,000 free options to subscribe for fully paid ordinary shares in the Company for 3 cents per share, exercisable on or before 26 November 2009.

On 13 October 2008, the Company issued 1,193,496 fully paid ordinary shares at 2.5 cents per share. The issue of these shares was ratified at the General Meeting of shareholders held on 25 June 2009.

On 30 October 2008, the Company announced that it had signed a title transfer and share sale and purchase agreement and a joint-venture shareholder's agreement with Oswal Resources Pty Ltd ("Oswal") pursuant to the Memorandum of Understanding between the two companies, announced on 21 August 2008, to explore strategic energy opportunities in Western Australia. A new joint venture company, Oswest Energy Pty Ltd ("Oswest") has been formed which is 75 per cent owned by Oswal and 25 per owned by the Company. Oswest will now hold approximately 4500 square kilometres of onshore petroleum titles from Geraldton to Augusta in coastal Western Australia and a coal exploration licence in the Collie region of WA, formerly held by the Company. By virtue of the agreements, Oswal is to fund the initial evaluation and exploration of those titles and the licence. It is also to fund any bankable feasibility study carried out in respect of resources identified during the initial evaluation. If after the completion of the bankable feasibility study Oswal elects to proceed to commercial development of the resources the subject of the study, then Oswal must, to the extent that the Company is unable to fund its 25% share of that development, loan to the Company that shortfall. Any such loan together with interest at a rate of 15% per annum is to be repaid primarily out of the Company's share of production.

Prior to the completion of a bankable feasibility study Oswal has the right to cease sole funding and if that occurs the titles and licence previously transferred to Oswest by the Company must be returned to the Company unless they are able to be sold by Oswest within 6 months of Oswal's decision to cease funding. This joint venture considerably reduces the Company's overheads and commitments and provides an immediate payment of $200,000 and also provides for reimbursement over three years of the company's previous exploration costs to a maximum of $2.5 million, commencing 12 months after the transfer of all the Titles to Oswest. Consequent on finalisation of the Oswest Joint Venture, WGP has settled unresolved issues with regard to the termination of the joint venture with ERM Gas Ltd ("ERM Joint Venture") as announced on 15 April 2008, by the return of a $100,000 fee that the Company originally received from ERM Gas Ltd at the inception of the ERM Joint Venture.

On 25 November 2008, the Company issued 2,500,000 free options exercisable at $0.03 cents each and expiring on 26 November 2009. These options were issued as a loan arrangement fee for loan of $150,000 as announced on 13 October 2008. The issue of these shares was ratified at the General Meeting of shareholders held on 25 June 2009.

On 5 December 2008, the Company issued 9,953,306 fully paid ordinary shares for $0.03 cents each and 17,640,806 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The shares and options issued include 4,687,500 shares and 9,375,000 options subscribed for in accordance with a loan agreement as announced on 13 October 2008. The issue of these shares and options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 6 January 2009, the Company issued 26,212,500 fully paid ordinary shares for $0.02 cents each and 3,712,500 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of 15,000,000 of these shares and all of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008. The issue of the remaining 11,212,500 of these shares was ratified at the General Meeting of shareholders held on 25 June 2009.

On 19 January 2009, the Company issued 2,500,000 fully paid ordinary shares for $0.03 cents each and 2,500,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these shares and options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 6 February 2009, the Company issued 6,000,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 13 February 2009, the Company announced that it had accepted the first stage of the joint venture budget of $1.4 million to fund its coal and coal seam gas exploration. Pursuant to the terms of the joint venture, WGP CEO Stephen Thomas has been seconded to Oswest Energy to oversee the exploration activities. The seismic data will be processed and interpreted to identify five new drill targets in the Collie Basin coal areas.

On 13 February 2009, the Company also announced that in accordance with its joint venture agreement with Roc Oil Company Limited ("ROC"), Roc had completed re-processing and interpretation of 276 km of seismic data from WGP's offshore leases. The re-processing was carried out by Fugro Seismic Imaging in Perth. As a result, a further 350 square kilometre three-dimensional seismic programme will be completed in 2009 with the aim of beginning drilling for oil and gas in 2010.

On 25 June 2009, the Company announced a drilling programme by Oswest Energy Pty Ltd, the joint venture company which is 75 per cent owned by Oswal Resources Pty Ltd and 25 per cent owned by Westralian Gas and Power Limited in its Boyup Basin tenements, south of Collie. Eleven exploration holes totalling 900 metres had been drilled and a significant number of these holes intercepted coal seams. Samples from these holes would be sent for analysis.

On 25 June 2009, the Company issued 27,000,000 free options to directors of the Company. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the General Meeting of shareholders of the Company on 25 June 2009.

On 25 June 2009, the Company issued 40,000,000 fully paid ordinary shares for $0.02 each and 65,000,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of 22,500,000 of these shares and all of these options was approved at the General Meeting of shareholders held on 25 June 2009.

On 25 June 2009, the Company issued 2,500,000 fully paid ordinary shares for $0.0255 each. The issue of these shares was approved at the General Meeting of shareholders held on 25 June 2009.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

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

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

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

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 quantity surveyor 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:

10,647,535 Ordinary shares, 40,000 options expiring 17-Sep-09 exercisable at 25 cents each, 4,000,000 options exercisable at 30 cents each expiring on 17 September 2009 and 15,000,000 Options expiring 1 October 2011 exercisable at 5 cents each in Westralian Gas and Power Limited.

Directors meetings attended: 15.

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 and 10,000,000 options expiring 1 October 2011 exercisable at 5 cents each in Westralian Gas and Power Limited.

Directors meetings attended: 15.

KRISTIAN JOHN BARNES
DIRECTOR (NON-EXECUTIVE)
APPOINTED: 1 MAY 2009

Qualifications and Experience:

Mr Barnes has 16 years experience in the mining and oil gas industry, government and private sector. He has an environmental consulting background and has worked with a range of companies including Woodside Petroleum, Chevron, BHP Billiton and Rio Tinto. He brings extensive knowledge to the company in the areas of environmental management, government approvals, project management and auditing. He has also worked extensively overseas for a number of international companies in Europe, South Africa, New Guinea and North and South America and has assisted three major Projects in Greenland with their environmental and general government approval requirements.

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 options expiring 1 October 2011 exercisable at 5 cents each in Westralian Gas and Power Limited.

Directors meetings attended:

Attended 1 of the 2 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 2009, 15 meetings of directors were held.

Mr Geoffrey Hill, who resigned as a director during the year attended 4 of the 12 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
Kristian John Barnes	Director (appointed 1 May 2009)
Geoffrey Guild Hill	Director (resigned 26 March 2009)

EXECUTIVES

Jack Toby	Company Secretary

	Primary Remuneration 2009			
	Salary and Fees $	**Bonus $**	**Super-annuation $**	**Total $**
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Peter Briggs	131,000	—	—	131,000
Stephen Leslie Thomas	162,000	—	—	162,000
Kristian John Barnes	5,000	—	—	5,000
Geoffrey Guild Hill	22,137	—	—	22,137
TOTAL PRIMARY REMUNERATION FOR DIRECTORS	320,137	—	—	320,137
REMUNERATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Jack Toby	81,000	—	—	81,000
TOTAL PRIMARY REMUNERATION FOR EXECUTIVES	81,000	—	—	81,000

	Equity Remuneration 2009		
	Shares $	Options $	Total $
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.			
Peter Briggs	—	302,333	302,333
Stephen Leslie Thomas	—	201,555	201,555
Kristian John Barnes	—	40,311	40,311
TOTAL EQUITY REMUNERATION FOR DIRECTORS	—	544,199	544,199

On 25 June 2009, the Company issued 15,000,000 free options to acquire ordinary shares in the Company to Mr Peter Briggs. These options are exercisable at 5 cents each on or before 1 October 2011 and the issue of these options was approved at the General Meeting of shareholders held on 25 June 2009.

On 25 June 2009, the Company issued 10,000,000 free options to acquire ordinary shares in the Company to Mr Stephen Leslie Thomas. These options are exercisable at 5 cents each on or before 1 October 2011 and the issue of these options was approved at the General Meeting of shareholders held on 25 June 2009.

On 25 June 2009, the Company issued 2,000,000 free options to acquire ordinary shares in the Company to Mr Kristian John Barnes. These options are exercisable at 5 cents each on or before 1 October 2011 and the issue of these options was approved at the General Meeting of shareholders held on 25 June 2009.

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 2.015552 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.00%, an underlying security spot price $0.034 (based on the closing price of the Company's shares as at 24 June 2009) and an average of calculations using volatility factors of 133.5%, 126.6%, 92.8% and 140.2% (each derived from different methodologies for calculating the volatility factor based on share price history). For the purposes of the valuation, no future dividend payments have been forecast. 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 2009			
	Primary Remuneration $	Equity Remuneration $	Total $	Equity Remuneration % of Total
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Peter Briggs	131,000	302,333	433,333	69.77%
Stephen Leslie Thomas	162,000	201,555	363,555	55.44%
Kristian John Barnes	5,000	40,311	45,311	88.97%
Geoffrey Guild Hill	22,137	—	22,137	—
TOTAL REMUNERATION FOR DIRECTORS	320,137	544,199	864,336	62.96%
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Jack Toby	81,000	—	81,000	—
TOTAL REMUNERATION FOR EXECUTIVES	81,000	—	81,000	—

	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%

SHARE OPTIONS ISSUED

On 1 October 2008, the Company announced that it had issued 10,000,000 options exercisable at $0.05 each and expiring on 1 October 2011 ("Options"). The Options were issued pursuant to an agreement to acquire all of the issued shares in Flamestar Corporation Pty Ltd ("Flamestar"). The issue of these options was ratified at the Annual General Meeting of shareholders held on 25 November 2008. These options were valued on the date of issue at 4.23846 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 7.60%, an underlying security spot price $0.05 (based on the closing price of the Company's shares as at 1 October 2008) and an average of calculations using volatility factors of 133.9%, 343.0%, 91.9% and 343.2% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 25 November 2008, the Company issued 2,500,000 free options exercisable at $0.03 cents each and expiring on 26 November 2009. These options were issued as a loan arrangement fee for loan of $150,000 as announced on 13 October 2008. The issue of these options was ratified at the General Meeting of shareholders held on 25 June 2009. These options were valued on the date of issue at 0.724899 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.60%, an underlying security spot price $0.024 (based on the closing price of the Company's shares as at 24 November 2008) and an average of calculations using volatility factors of 118.6%, 72.5%, 92.7% and 85.3% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 5 December 2008, the Company issued 17,640,806 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. These options issued include 9,375,000 options subscribed for in accordance with a loan agreement as announced on 13 October 2008. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 6 January 2009, the Company issued 3,712,500 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 19 January 2009, the Company issued 2,500,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 6 February 2009, the Company issued 6,000,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 25 June 2009, the Company issued 65,000,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the General Meeting of shareholders of the Company on 25 June 2009.

On 25 June 2009, the Company issued 27,000,000 free options to directors of the Company. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the General Meeting of shareholders of the Company on 25 June 2009. These options were valued on the date of issue at 2.015552 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.00%, an underlying security spot price $0.034 (based on the closing price of the Company's shares as at 24 June 2009) and an average of calculations using volatility factors of 133.5%, 126.6%, 92.8% and 140.2% (each derived from different methodologies for calculating the volatility factor based on share price history).

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 2009, no ordinary shares were issued by virtue of the exercise of options.

During the year ended 30th June 2009, 4,000,000 options to subscribe for unissued fully paid ordinary shares in the Company for 30 cents per share expired unexercised on 30 November 2008

Subsequent to the year ended 30th June 2009, 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 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.

There are 2,500,000 options to subscribe for unissued fully paid ordinary shares in the Company for 3 cents per share expiring 26 November 2009 outstanding at the date of this report.

There are 147,917,922 options to subscribe for unissued fully paid ordinary shares in the Company for 5 cents per share expiring 1 October 2011 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

During the financial year, the Company paid premiums for Directors and Officers liability insurance of $21,401. Except as disclosed above, 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 2009 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 $20,777 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

14 September 2009
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 2009 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 2009, 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

14 September 2009
Perth, Western Australia

INCOME STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2009

	Note	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Oil and gas sales	3	50,234	82,499	—	—
Revenue from non-operating activities	3	231,869	154,644	291,471	274,644
Employee benefits and consultants		(594,196)	(612,995)	(594,196)	(612,995)
Cost of share based payments		(986,167)	(27,225)	(986,167)	(27,225)
General and administration expense		(560,266)	(661,177)	(421,238)	(356,040)
Rental expense on operating leases		(83,869)	(165,468)	(83,869)	(165,468)
Foreign exchange gain/(loss)		309,045	(197,888)	312,004	(196,922)
Depreciation of plant and equipment		(48,061)	(41,406)	(23,521)	(24,220)
Loss on disposal of plant & equipment		—	(2,239)	—	(1,963)
Amortisation of oil leases		(42,954)	(33,447)	—	—
Exploration expenditure written off		(65,621)	(598,529)	(57,346)	(201,248)
Exploration and Production expenses		(94,578)	(148,679)	(20,481)	(14,365)
Loans to subsidiaries written off		—	—	(504,354)	(1,946,361)
Other expenses		(97,666)	(43,739)	(98,196)	(43,688)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		(1,982,230)	(2,295,649)	(2,185,893)	(3,315,851)
Income tax expense	4	—	—	—	—
PROFIT/(LOSS) AFTER RELATED INCOME TAX EXPENSE	5	(1,982,230)	(2,295,649)	(2,185,893)	(3,315,851)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	6	(2.07)	(3.32)		
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	6	(2.07)	(3.32)		

The accompanying notes form part of these financial statements

BALANCE SHEETS AS AT 30TH JUNE 2009

	Note	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT ASSETS					
Cash and cash equivalents	16	893,163	206,346	885,769	178,891
Trade and other receivables	7	16,257	19,642	16,257	18,603
Inventories	8	11,968	10,991	—	—
TOTAL CURRENT ASSETS		921,388	236,979	902,026	197,494
NON-CURRENT ASSETS					
Plant and equipment	9	141,558	169,123	34,077	56,190
Capitalised oil and gas expenditure	10	99,772	119,063	—	—
Other financial assets	11	—	—	110	110
TOTAL NON-CURRENT ASSETS		241,330	288,186	34,187	56,300
TOTAL ASSETS		1,162,718	525,165	936,213	253,794
CURRENT LIABILITIES					
Trade and other payables	12	148,744	132,253	100,256	101,950
Provisions	13	714	3,164	714	3,164
TOTAL CURRENT LIABILITIES		149,458	135,417	100,970	105,114
TOTAL LIABILITIES		149,458	135,417	100,970	105,114
NET ASSETS/(LIABILITIES)		1,013,260	389,748	835,243	148,680
EQUITY					
Issued capital	14	9,337,435	7,545,999	9,337,435	7,545,999
Reserves	15	1,287,849	473,543	1,343,942	262,922
Accumulated losses	5	(9,612,024)	(7,629,794)	(9,846,134)	(7,660,241)
TOTAL EQUITY		1,013,260	389,748	835,243	148,680

The accompanying notes form part of these financial statements

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2009

	Note	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		50,234	107,377	—	—
Payments to suppliers & employees		(1,161,351)	(1,586,493)	(1,029,027)	(1,387,228)
Interest received		5,306	38,575	5,306	38,575
Other income		26,165	116,069	26,165	116,069
NET CASH OUTFLOW USED IN OPERATING ACTIVITIES	16	(1,079,646)	(1,324,472)	(997,556)	(1,232,584)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of oil and gas interests		—	(36,879)	—	—
Exploration expenditure		(48,367)	(723,416)	(48,367)	(215,613)
Production expenditure		(79,542)	—	—	—
Sale of listed securities		—	2,659	—	2,659
Purchase of plant and equipment		(2,579)	(58,403)	(1,138)	(6,907)
Proceeds from disposal of plant and equipment		5,546	4,625	—	—
Loans to subsidiaries		—	—	(132,350)	(706,421)
Investment in subsidiaries		—	—	—	(100)
NET CASH OUTFLOW USED IN INVESTING ACTIVITIES		(124,942)	(811,414)	(181,855)	(926,382)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from equity issues		1,736,289	2,329,549	1,736,289	2,329,549
Capital raising expenses		—	(53,603)	—	(53,603)
Borrowings		175,000	—	175,000	—
Repayment of borrowings		(25,000)	—	(25,000)	—
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,886,289	2,275,946	1,886,289	2,275,946
NET INCREASE/(DECREASE) IN CASH HELD		681,701	140,060	706,878	116,980
Net foreign exchange differences		5,116	(689)	—	—
Cash and cash equivalents at beginning of year		206,346	66,975	178,891	61,911
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	893,163	206,346	885,769	178,891

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2009

CONSOLIDATED ENTITY

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital $	Option Premium Reserve $	Currency Translation Reserve $	Accumulated Losses $	Total Equity $
At 1 July 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
Currency translation	—	—	(266,714)	—	(266,714)
Loss for year	—	—	—	(1,982,230)	(1,982,230)
TOTAL LOSS FOR THE PERIOD	—	—	(266,714)	(1,982,230)	(2,248,944)
Securities issued	1,791,436	1,081,020	—	—	2,872,456
AT 30 JUNE 2009	9,337,435	1,343,942	(56,093)	(9,612,024)	1,013,260

PARENT ENTITY

ATTRIBUTABLE TO MEMBERS OF THE COMPANY	Issued Capital $	Option Premium Reserve $	Accumulated Losses $	Total Equity $
At 1 July 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
Loss for year	—	—	(2,185,893)	(2,185,893)
TOTAL LOSS FOR THE PERIOD	—	—	(2,185,893)	(2,185,893)
Securities issued	1,791,436	1,081,020	—	2,872,456
AT 30 JUNE 2009	9,337,435	1,343,942	(9,846,134)	835,243

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.

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

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:

Key Estimates - Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

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 $1,982,230 (in the prior year a loss of $2,295,649). The net assets of the Group have increased by $623,512 from $389,748 at 30 June 2008 to $1,013,260 at 30 June 2009. As at 30 June 2009 the Group had cash assets of $893,163 (30 June 2008 $206,346).

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 2009, the Company has raised $401,615 by the issue of ordinary shares and $16,065 by the issue of options.

The directors believe that they have raised sufficient cash to continue as a going concern and realise the Group's assets in the normal course of business.

NOTE 3. REVENUE

The profit/(loss) before income tax has been determined after:

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
REVENUE FROM CONTINUING OPERATIONS				
Operating activities				
Oil sales	50,234	82,499	—	—
TOTAL REVENUE FROM OPERATING ACTIVITIES	50,234	82,499	—	—
Non-Operating activities				
Profit on sale of investment	200,000	—	200,000	—
Profit on sale of plant and equipment	398	—	—	—
Interest received from other persons	5,306	38,575	5,306	38,575
Management fees receivable from subsidiaries	—	—	60,000	120,000
Option fees received from other persons	—	100,000	—	100,000
Other revenue	26,165	16,069	26,165	16,069
TOTAL REVENUE FROM NON-OPERATING ACTIVITIES	231,869	154,644	291,471	274,644
TOTAL REVENUE FROM CONTINUING OPERATIONS	282,103	237,143	291,471	274,644

During the year ended 30 June 2009, the Company sold 75% of its investment in Oswest Energy Pty Ltd to Oswal Resources Pty Ltd pursuant to a title transfer and share sale and purchase agreement and a joint-venture shareholder's agreement with Oswal Resources Pty Ltd. During the year ended 30 June 2008, the Parent Entity sold current investments with a book value of $3,400 for $2,659.

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
NOTE 4. INCOME TAX				
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%	(594,669)	(688,695)	(655,768)	(994,755)
Loans to subsidiaries written off	—	—	151,306	583,908
Tax effect of other amounts not deductible in calculating taxable income	151,543	2,892	150,656	2,893
TOTAL	(443,126)	(685,803)	(353,806)	(407,954)
Movement in unrecognised temporary differences	(15,362)	8,497	(15,362)	8,567
Income tax benefit not brought to account as realisation of the benefit is not virtually certain	458,488	677,306	369,168	399,387
INCOME TAX EXPENSE FROM ORDINARY ACTIVITIES	—	—	—	—
UNRECOGNISED DEFERRED TAX ASSETS ARISING FROM TIMING DIFFERENCES AND LOSSES				
Unrecognised deferred tax asset – tax losses	2,276,463	1,833,337	1,661,447	1,332,796
Unrecognised deferred tax asset – capital raising costs	61,449	76,811	61,449	76,811
DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT	2,337,912	1,910,148	1,722,896	1,409,607

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.

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
NOTE 5. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	(7,629,794)	(5,334,145)	(7,660,241)	(4,344,390)
Net profit/(loss) for the financial year	(1,982,230)	(2,295,649)	(2,185,893)	(3,315,851)
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	(9,612,024)	(7,629,794)	(9,846,134)	(7,660,241)

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

NOTE 6. EARNINGS PER SHARE

	2009	2008
Basic loss per share (cents per share)	(2.07)	(3.32)
Diluted loss per share (cents per share)	(2.07)	(3.32)
Profit/(loss) used in the calculation of basic EPS	(1,982,230)	(2,295,649)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	95,603,283	69,070,358
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	95,603,283	69,070,358

During the year ended 30 June 2009, 134,353,306 options to subscribe for ordinary shares were issued, no options were exercised and 4,000,000 options expired unexercised, leaving 156,853,306 options outstanding at 30 June 2009 (note 14). 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 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 14). 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.

NOTE 7. RECEIVABLES (CURRENT)

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Other debtors and prepayments	16,257	19,642	16,257	18,603
	16,257	19,642	16,257	18,603

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

NOTE 8. INVENTORIES

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Oil stock at cost	11,968	10,991	—	—
	11,968	10,991	—	—

NOTE 9. PLANT AND EQUIPMENT

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
PLANT AND EQUIPMENT				
At cost	268,830	247,686	116,790	115,652
Accumulated depreciation	(127,272)	(78,563)	(82,713)	(59,462)
TOTAL PLANT AND EQUIPMENT	141,558	169,123	34,077	56,190

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
MOVEMENTS IN THE CARRYING AMOUNT OF EACH CLASS OF PLANT AND EQUIPMENT				
PLANT AND EQUIPMENT				
At the beginning of the financial year	169,123	158,990	56,190	75,466
Additions	2,579	58,403	1,138	6,907
Depreciation expense	(48,061)	(41,406)	(23,251)	(24,220)
Disposals	(5,148)	(6,864)	—	(1,963)
Currency exchange adjustment	23,065	—	—	—
TOTAL PLANT AND EQUIPMENT	141,558	169,123	34,077	56,190

NOTE 10. CAPITALISED OIL AND GAS EXPENDITURE

MOVEMENTS IN THE CARRYING AMOUNT OF EXPLORATION EXPENDITURE				
At the beginning of the financial year	1,755	—	—	—
Expenditure incurred during the year	74,837	600,284	74,837	201,248
Amortised during the year	(76,592)	(598,529)	(74,837)	(201,248)
AT THE END OF THE FINANCIAL YEAR	—	1,755	—	—
MOVEMENTS IN THE CARRYING AMOUNT OF PRODUCTION EXPENDITURE				
At the beginning of the financial year	117,308	126,707	—	—
Expenditure incurred during the year	5,985	24,048	—	—
Exchange rate adjustment	25,953	—	—	—
Amortised during the year	(49,474)	(33,447)	—	—
AT THE END OF THE FINANCIAL YEAR	99,772	117,308	—	—
TOTAL CAPITALISED OIL AND GAS EXPENDITURE	99,772	119,063	—	—

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 11. OTHER FINANCIAL ASSETS (NON-CURRENT)

Investments in controlled entities	—	—	110	110
	—	—	110	110

NOTE 12. PAYABLES (CURRENT)

Sundry creditors and accrued expenses	148,744	132,523	100,256	101,950
	148,744	132,523	100,256	101,950

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

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

NOTE 13. PROVISIONS (CURRENT)

	2009 $	2008 $	2009 $	2008 $
Employee benefits	714	3,164	714	3,164
	714	3,164	714	3,164

NOTE 14. ISSUED CAPITAL

	2009 $	2008 $	2009 $	2008 $
156,982,612 (2008: 74,623,310) fully paid ordinary shares	9,337,435	7,545,999	9,337,435	7,545,999
	9,337,435	7,545,999	9,337,435	7,545,999

MOVEMENTS IN ORDINARY SHARES	2009 $	2008 $	2009 $	2008 $
At the beginning of the financial year	7,545,999	5,268,683	7,545,999	5,268,683
1,193,496 shares issued on 13 October 2008	29,837	—	29,837	
9,953,306 shares issued on 5 December 2008	298,599	—	298,599	
26,212,500 shares issued on 6 January 2009	524,250	—	524,250	
2,500,000 shares issued on 19 January 2009	75,000	—	75,000	
40,000,000 shares issued on 25 June 2009	800,000	—	800,000	
2,500,000 shares issued on 25 June 2009	63,750	—	63,750	
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
Share issue expenses	—	(53,603)	—	(53,603)
AT THE END OF THE FINANCIAL YEAR	9,337,435	7,545,999	9,337,435	7,545,999

MOVEMENTS IN CONVERTING INCENTIVE PREFERENCE SHARES	2009 $	2008 $	2009 $	2008 $
At the beginning of the financial year	—	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	—	—	—	—

On 13 October 2008, the Company issued 1,193,496 fully paid ordinary shares for 2.5 cents per share. The issue of these shares was ratified at the General Meeting of shareholders held on 25 June 2009.

On 5 December 2008, the Company issued 9,953,306 fully paid ordinary shares for $0.03 cents each. The shares issued include 4,687,500 shares subscribed for in accordance with a loan agreement as announced on 13 October 2008. The issue of these shares was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 6 January 2009, the Company issued 26,212,500 fully paid ordinary shares for $0.02 cents each. The issue of 15,000,000 of these shares was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008. The issue of the remaining 11,212,500 of these shares was ratified at the General Meeting of shareholders held on 25 June 2009.

On 19 January 2009, the Company issued 2,500,000 fully paid ordinary shares for $0.03 cents each. The issue of these shares was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 25 June 2009, the Company issued 40,000,000 fully paid ordinary shares for $0.02 each. The issue of 22,500,000 of these shares was approved at the General Meeting of shareholders held on 25 June 2009.

On 25 June 2009, the Company issued 2,500,000 fully paid ordinary shares for $0.0255 each. The issue of these shares was approved at the General Meeting of shareholders held on 25 June 2009.

At 30 June 2009 there were 156,853,306 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 17 September 2009, 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, 2,500,000 options which entitle the holder to subscribe for one ordinary share in the Company for 3 cents per share and expire on 26 November 2009 and 131,853,306 options which entitle the holder to subscribe for one ordinary share in the Company for 5 cents per share and expire on 1 October 2011.

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.

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 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
NOTE 15. RESERVES				
Option premium reserve	1,343,942	262,922	1,343,942	262,922
Currency translation reserve	(56,093)	210,621	—	—
	1,287,849	473,543	1,343,942	262,922
MOVEMENTS IN OPTION PREMIUM RESERVE				
At the beginning of the financial year	262,922	235,697	262,922	235,697
10,000,000 options issued 1 October 2008	423,846	—	423,846	—
2,500,000 options issued 25 November 2008	18,122	—	18,122	—
17,640,806 options issued 5 December 2008	17,641	—	17,641	—
3,712,500 options issued 6 January 2009	3,712	—	3,712	—
2,500,000 options issued 19 January 2009	2,500	—	2,500	—
6,000,000 options issued 6 February 2009	6,000	—	6,000	—
27,000,000 options issued 25 June 2009	544,199	—	544,199	—
65,000,000 options issued 25 June 2009	65,000	—	65,000	—
2,250,000 options issued 30 November 2007	—	27,225	—	27,225
AT THE END OF THE FINANCIAL YEAR	1,343,942	262,922	1,343,942	262,922
MOVEMENTS IN CURRENCY TRANSLATION RESERVE				
At the beginning of the financial year	210,621	39,254	—	—
Consolidation adjustment for the year	(266,714)	171,367	—	—
AT THE END OF THE FINANCIAL YEAR	(56,093)	210,621	—	—

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 1 October 2008, the Company announced that it had issued 10,000,000 options exercisable at $0.05 each and expiring on 1 October 2011 (“Options”). The Options were issued pursuant to an agreement to acquire all of the issued shares in Flamestar Corporation Pty Ltd (“Flamestar”). The issue of these options was ratified at the Annual General Meeting of shareholders held on 25 November 2008. These options were valued on the date of issue at 4.23846 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 7.60%, an underlying security spot price $0.05 (based on the closing price of the Company’s shares as at 1 October 2008) and an average of calculations using volatility factors of 133.9%, 343.0%, 91.9% and 343.2% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 25 November 2008, the Company issued 2,500,000 free options exercisable at $0.03 cents each and expiring on 26 November 2009. These options were issued as a loan arrangement fee for loan of $150,000 as announced on 13 October 2008. The issue of these options was ratified at the General Meeting of shareholders held on 25 June 2009. These options were valued on the date of issue at 0.724899 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.60%, an underlying security spot price $0.024 (based on the closing price of the Company’s shares as at 24 November 2008) and an average of calculations using volatility factors of 118.6%, 72.5%, 92.7% and 85.3% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 5 December 2008, the Company issued 17,640,806 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. These options issued include 9,375,000 options subscribed for in accordance with a loan agreement as announced on 13 October 2008. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 6 January 2009, the Company issued 3,712,500 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 19 January 2009, the Company issued 2,500,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 6 February 2009, the Company issued 6,000,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the Annual General Meeting of shareholders of the Company on 25 November 2008.

On 25 June 2009, the Company issued 27,000,000 free options to directors of the Company. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the General Meeting of shareholders of the Company on 25 June 2009. These options were valued on the date of issue at 2.015552 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.00%, an underlying security spot price $0.034 (based on the closing price of the Company's shares as at 24 June 2009) and an average of calculations using volatility factors of 133.5%, 126.6%, 92.8% and 140.2% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 25 June 2009, the Company issued 65,000,000 options at an option issue price of $0.001 per option. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the General Meeting of shareholders of the Company on 25 June 2009.

NOTE 16. CASH FLOW INFORMATION

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX				
Profit/(loss) after tax	(1,982,230)	(2,295,649)	(2,185,893)	(3,315,851)
Cash flows in profit/(loss) attributable to non-operating activities				
Exploration expenditure	77,087	135,963	3,530	14,365
Non-cash flows in profit/(loss)				
Amortisation	42,954	33,447	—	—
Depreciation of plant and equipment	48,061	41,406	23,251	24,220
Exploration expenditure written off	83,112	598,529	74,837	201,248
Cost of share based payment	986,167	27,225	986,167	27,225
Loss/(Profit) on disposal of investments	—	741	—	741
Loss/(Profit) on disposal of plant & equipment	(398)	2,239	—	1,963
Foreign exchange loss	(309,045)	197,888	(312,004)	—
Current investments mark to market	—	—	—	—
Charges to provisions	(2,450)	1,630	(2,450)	1,630
Loans to subsidiaries written off	—	—	504,354	1,946,361
Intangibles written off	—	1,191	—	—
Changes in assets and liabilities				
Decrease/(increase) in debtors and receivables	3,385	34,660	(57,654)	(109,394)
Decrease/(increase) in inventories	(977)	(10,991)	—	24,853
Increase/(decrease) in creditors and accruals	(25,312)	(92,751)	(31,694)	(49,945)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(1,079,646)	(1,324,472)	(997,556)	(1,232,584)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Cash and cash equivalents at the end of the financial year is shown in the accounts as:				
Cash	893,163	206,346	885,769	178,891
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	893,163	206,346	885,769	178,891

NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year, options valued at $986,167 were issued.

During the year, a loan of $150,000 was settled by the issue of shares and options in the Company.

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

There are no financing facilities in place for the Company.

NOTE 17. AUDITOR'S REMUNERATION

Remuneration of the auditor and a related entity of the Company for:				
Auditing or reviewing the financial report	46,582	37,339	46,582	37,339
Tax compliance services	20,777	26,710	20,777	26,710
Remuneration of other auditors of subsidiaries for:				
Auditing or reviewing the financial report of subsidiaries	—	15,626	—	—
	67,359	79,675	67,359	64,049

NOTE 18. EXPENDITURE COMMITMENTS

Non-Cancellable operating leases contracted for but not capitalised in the accounts:				
Payable				
not later than one year	—	102,447	—	102,447
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	—	102,447	—	102,447

The property lease was a non-cancellable lease which expired on 13 June 2009 with rent payable monthly in advance.

CAPITAL EXPENDITURE COMMITMENTS

Coal Seam Methane Projects onshore Western Australia

The Company is in the process of transferring all of its Coal Seam Methane Permits in onshore Western Australia to Oswest Energy Pty Ltd ("Oswest"), a joint venture company which is 75 per cent owned by Oswal Resources Pty Ltd ("Oswal") and 25 per owned by the Company. By virtue of various agreements, Oswal is to fund the initial evaluation and exploration of those titles and the licence. It is also to fund any bankable feasibility study carried out in respect of resources identified during the initial evaluation. If after the completion of the bankable feasibility study Oswal elects to proceed to commercial development of the resources the subject of the study, then Oswal must, to the extent that the Company is unable to fund its 25% share of that development, loan to the Company that shortfall. Any such loan together with interest at a rate of 15% per annum is to be repaid primarily out of the Company's share of production. Prior to the completion of a bankable feasibility study Oswal has the right to cease sole funding and if that occurs the titles and licence previously transferred to Oswest by the Company must be returned to the Company unless they are able to be sold by Oswest within 6 months of Oswal's decision to cease funding.

Oswest will be the sole holder of a drilling reservation (DR11) for the area known as Eneabba North with a work commitment of two stratigraphic wells and a seismic survey to a total of $300,000 in the first year (2009-2010).

Oswest will be 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.

Oswest will be the holder of a exploration permit EP 462 known as Greenough Block , granted in August 2008. The expenditure commitment is $340,000 for the year to 20 August 2009 and 350,000 for the year to 20 August 2010. Expenditure commitments not spent due to delays are carried forward and remain the same.

Oswest is farming into the areas known as Vasse (DR10). The estimated expenditure requirements established under the permits for Vasse are based on the requirement to drill at least two wells to a minimum depth of 400m in the drilling reservation at a cost of $300,000 in year one.

Red Mountain Energy Pty Ltd (on behalf of Oswest) 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 Drilling Reservation. Red Mountain Energy Pty Ltd is a company controlled by Mr Stephen Thomas, a director of the Company.

Oswest 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. Expenditure commitments not spent due to delays are carried forward and remain the same.

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

	Consolidated Entity		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Payable				
not later than one year	3,418,000	2,858,000	3,418,000	2,858,000
later than 1 year but not later than 5 years	350,000	690,000	350,000	690,000
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	3,768,000	3,548,000	3,768,000	3,548,000

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 a portion of its interest and is free carried through the Company's 50% share of the expenditure commitments which are as follows:

	Consolidated Entity		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Payable				
not later than one year	770,000	770,000	—	—
later than 1 year but not later than 5 years	21,900,000	21,900,000	—	—
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 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 all leases have produced oil and there are no further commitments.

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Payable				
not later than one year	—	40,000	—	—
AGGREGATE EXPENDITURE CONTRACTED FOR AT REPORTING DATE	—	40,000	—	—

NOTE 19. KEY MANAGEMENT PERSONNEL

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
REMUNERATION OF KEY MANAGEMENT PERSONNEL				
Short term employee benefits	401,137	512,843	401,137	512,843
Post employment benefits	—	4,954	—	4,954
Share based payment benefits	544,199	27,225	544,199	27,225
TOTAL REVENUE FROM CONTINUING OPERATIONS	945,336	545,022	945,336	545,022

SHARES HELD BY KEY MANAGEMENT PERSONNEL

Year Ended 30 June 2009

	Number of Ordinary Shares			
	1 July 2008 or Appointment	**Issued as Remuneration**	**Net Change Other**	**30 June 2009 or Resignation**
Peter Briggs	10,601,535	—	46,000	10,647,535
Stephen Leslie Thomas	9,744,843	—	—	9,744,843
Kristian John Barnes (appointed 1 May 2009)	—	—	—	—
Geoffrey Guild Hill (resigned 26 March 2009)	—	—	—	—
Jack Toby	—	—	2,250,000	2,250,000
	20,346,378	—	2,296,000	22,642,378

Year Ended 30 June 2008

	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

Year Ended 30 June 2009

	Number of Options			
	1 July 2008 or Appointment	**Granted as Remuneration**	**Net Change Other**	**30 June 2009 or Resignation**
Peter Briggs	4,000,000	15,000,000	40,000	19,040,000
Stephen Leslie Thomas	—	10,000,000	—	10,000,000
Kristian John Barnes (appointed 1 May 2009)	—	2,000,000	—	2,000,000
Geoffrey Guild Hill (resigned 26 March 2009)	2,000,000	—	—	2,000,000
Jack Toby (appointed 23 May 2008)	—	—	7,250,000	7,250,000
	6,000,000	27,000,000	7,290,000	40,290,000

Year Ended 30 June 2008

	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

Year Ended 30 June 2008

	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 20. SHARE BASED PAYMENTS

During the year ended 30 June 2009 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	6,250,000	$0.282
Granted	39,500,000	$0.0487
Forfeited	—	—
Exercised	—	—
Expired	—	—
OUTSTANDING AND EXERCISABLE AT YEAR END	45,750,000	$0.0806

On 1 October 2008, the Company announced that it had issued 10,000,000 options exercisable at $0.05 each and expiring on 1 October 2011 (“Options”). The Options were issued pursuant to an agreement to acquire all of the issued shares in Flamestar Corporation Pty Ltd (“Flamestar”). The issue of these options was ratified at the Annual General Meeting of shareholders held on 25 November 2008. These options were valued on the date of issue at 4.23846 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 7.60%, an underlying security spot price $0.05 (based on the closing price of the Company’s shares as at 1 October 2008) and an average of calculations using volatility factors of 133.9%, 343.0%, 91.9% and 343.2% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 25 November 2008, the Company issued 2,500,000 free options exercisable at $0.03 cents each and expiring on 26 November 2009. These options were issued as a loan arrangement fee for loan of $150,000 as announced on 13 October 2008. The issue of these options was ratified at the General Meeting of shareholders held on 25 June 2009. These options were valued on the date of issue at 0.724899 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.60%, an underlying security spot price $0.024 (based on the closing price of the Company’s shares as at 24 November 2008) and an average of calculations using volatility factors of 118.6%, 72.5%, 92.7% and 85.3% (each derived from different methodologies for calculating the volatility factor based on share price history).

On 25 June 2009, the Company issued 27,000,000 free options to directors of the Company. The options are exercisable at $0.05 each and expire on 1 October 2011. The issue of these options was approved by the General Meeting of shareholders of the Company on 25 June 2009. These options were valued on the date of issue at 2.015552 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.00%, an underlying security spot price $0.034 (based on the closing price of the Company’s shares as at 24 June 2009) and an average of calculations using volatility factors of 133.5%, 126.6%, 92.8% and 140.2% (each derived from different methodologies for calculating the volatility factor based on share price history).

The cost of share based payments for the year ended 30 June 2009 was $986,167 (2008: $27,225).

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.

NOTE 21. SEGMENT INFORMATION

PRIMARY REPORTING BUSINESS SEGMENTS

During the year ended 30 June 2009 and also during the year ended 30 June 2008, 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	231,471	60,000	291,471	(1,683,692)	936,213	100,970
North America	50,632	—	50,632	(298,938)	226,505	48,488
Intersegment elimination	—	—	(60,000)	—		
TOTAL	282,103	60,000	282,103	(1,982,630)	1,162,718	149,458

	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

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 22. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
			2009	2008	2009	2008
	2009	2008	$	$	$	$
Parent Entity						
Westralian Gas and Power Limited					(1,681,942)	(1,369,490)
Entities controlled by Westralian Gas and Power Limited						
Westralian Petroleum Ltd	100%	100%	10	10	(1,750)	(24,512)
Sunset Energy LLC	100%	100%	—	—	(298,938)	(900,977)
Sunset Energy Pty Ltd	100%	100%	100	100	—	(670)
Flamestar Corporation Pty Ltd	100%	—	—	—	—	—
			110	110	(1,982,630)	(2,295,649)

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

On 26 September 2008, the Company acquired all of the shares in Flamestar Corporation Pty Ltd ("Flamestar"). Consideration for the acquisition was the issue of 10,000,000 options exercisable at $0.05 each and expiring on 1 October 2011 plus $30,000 as reimbursement of funds expended in relation to Flamestar's tenement interests. Flamestar holds a 12.5% free carried interest in tenement EL70/2738 and applications for drilling reservations 2/05-6 and 3/05-6 in Western Australia. At the date of acquisition, Flamestar had written off all tenement expenditure and Flamestar has no other assets or liabilities. As Flamestar is merely a corporate vehicle for its tenement interests, the reimbursement of funds expended of $30,000 have been treated by the Company as expenditure on capitalised oil and gas expenditure. The value of the options issued as part consideration for the acquisition have been expensed by the Company.

NOTE 23. 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 24. CONTINGENT LIABILITIES

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

NOTE 25. 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 2009. 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 2009 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	
	2009	2008	2009	2008
	$	$	$	$
TRADE AND SUNDRY PAYABLES ARE EXPECTED TO BE PAID AS FOLLOWS:				
Less than 6 months	148,744	132,253	100,256	101,950
6 months to 1 year	—	—	—	—
later than 1 year but not later than 5 years	—	—	—	—
over 5 years	—	—	—	—
	148,744	132,253	100,256	101,950

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 2009 $	AGGREGATE NET FAIR VALUE 2009 $	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2008 $	AGGREGATE NET FAIR VALUE 2008 $
Financial Assets				
Cash assets	893,163	893,163	206,346	206,346
Receivables	16,257	16,257	19,642	19,642
Other financial assets	—	—	—	—
Financial Liabilities				
Payables	148,744	148,744	132,253	132,253

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 2009, 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	
	2009	2008	2009	2008
	$	$	$	$
CHANGE IN PROFIT DUE TO::				
Increase in interest rate by 2%	3,553	12,986	3,440	12,865
Decrease in interest rate by 2%	(3,553)	(12,986)	(3,440)	(12,865)
CHANGE IN EQUITY DUE TO::				
Increase in interest rate by 2%	3,553	12,986	3,440	12,865
Decrease in interest rate by 2%	(3,553)	(12,986)	(3,440)	(12,865)

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 30 June 2009, 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	
	2009	2008	2009	2008
	$	$	$	$
CHANGE IN PROFIT DUE TO::				
Improvement in AUD to USD by 5%	104,156	45,920	—	—
Decline in AUD to USD by 5%	(94,237)	(41,556)	—	—
CHANGE IN EQUITY DUE TO::				
Improvement in AUD to USD by 5%	9,375	45,920	—	—
Decline in AUD to USD by 5%	(8,482)	(41,556)	—	—

NOTE 26. RELATED PARTY TRANSACTIONS

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

On 25 June 2009, the Company issued 15,000,000 free options to acquire ordinary shares in the Company to Mr Peter Briggs. These options are exercisable at 5 cents each on or before 1 October 2011 and the issue of these options was approved at the General Meeting of shareholders held on 25 June 2009.

On 25 June 2009, the Company issued 10,000,000 free options to acquire ordinary shares in the Company to Mr Stephen Leslie Thomas. These options are exercisable at 5 cents each on or before 1 October 2011 and the issue of these options was approved at the General Meeting of shareholders held on 25 June 2009.

On 25 June 2009, the Company issued 2,000,000 free options to acquire ordinary shares in the Company to Mr Kristian John Barnes. These options are exercisable at 5 cents each on or before 1 October 2011 and the issue of these options was approved at the General Meeting of shareholders held on 25 June 2009.

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 2.015552 cents each using the Cox, Ross, & Rubinstein Binomial methodology and based on a risk free rate 5.00%, an underlying security spot price $0.034 (based on the closing price of the Company's shares as at 24 June 2009) and an average of calculations using volatility factors of 133.5%, 126.6%, 92.8% and 140.2% (each derived from different methodologies for calculating the volatility factor based on share price history). For the purposes of the valuation, no future dividend payments have been forecast. 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.

During the year ended 30 June 2009, the Company lent monies to its subsidiaries totalling $132,350 and as at 30 June 2009 this amount has been written off.

During the year ended 30 June 2009, the Company earned management fees from its subsidiaries of $60,000.

Natural Resource Finance Pty Ltd received benefits of $97,000 (2008: $115,750) from the Company for services performed by Mr Peter Briggs, a director of the Company. York Heritage Pty Ltd received benefits of $30,000 (2008: Nil) from the Company for services performed by Mr Peter Briggs, a director of the Company. This remuneration received by Natural Resource Finance Pty Ltd and York Heritage Pty Ltd is included in the remuneration of Mr Peter Briggs in the Remuneration Report which is within the Directors' Report.

During the year ended 30 June 2009, the Company borrowed $5,000 from York Heritage Pty Ltd ("York") and $20,000 from Growth Corporation Pty Ltd ("Growth"). The loans were unsecured and interest free. Both York and Growth are companies associated with Mr Peter Briggs, a director of the Company. The amounts borrowed from York and Growth were repaid during the year ended 30 June 2009.

At 30 June 2009, directors and their related entities held directly, indirectly or beneficially 20,392,378 ordinary shares in the Company and 31,040,000 options over ordinary shares in the Company.

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.

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

CONTRACTUAL ARRANGEMENTS WITH DIRECTOR RELATED ENTITIES

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 (EP 445) and Exploration Permit 2/03-4 (EP446)
- Titles applied for when the Company has farmed into SPA 1/03-4 (now converted to DR 8), SPA 2/03-4 (now converted to DR 10) and SPA 5/4-05

To earn these interests and an 87.5% interest in the Titles applied for in respect of SPAs 3/03-4(DR12) and 4/03-4 (DR13), 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 (now converted to DR 8) the Company must conduct 30km of seismic survey. For SPA 2/03-4 (now converted to DR 10) 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 (DR12) and 4/03-4 (DR13) 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 (DR12) and 15km of seismic survey for SPA 4/03-4 (DR13).

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 (DR12) and 4/03-4 (DR13), 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.

The Company has not yet completed its minimum work commitments on the titles.

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 (DR 12) and 4/03-4 (DR13). 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 entities Natural Resource Finance Pty Ltd and York Heritage Pty Ltd. Fees paid to these Companies are disclosed in the directors remuneration note.

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Amount owing to Stephen Thomas	6,600	18,000	6,600	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	8,062	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	7,525	9,418	—	—

At 30 June 2009, Sunset Energy LLC, a wholly owned subsidiary of the Company owed US$31,852 to Red Mountain Energy Inc, an entity controlled by director Stephen Thomas (2008: $25,134).

NOTE 27. DIVIDENDS

No dividends have been paid or proposed during the year.

NOTE 28. EVENTS SUBSEQUENT TO BALANCE DATE

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

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

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

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.

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SomesandCooke

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WESTRALIAN GAS AND POWER LTD

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Westralian Gas and Power Ltd which comprises the balance sheet as at 30 June 2009, 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.

Directors' Responsibility for the Financial Report

The directors of Westralian Gas and Power Ltd 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 control 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.

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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 and 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 2009 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

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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 and Power Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Kevin Somes

Somes & Cooke
1304 Hay Street
West Perth WA 6005

14 September 2009

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

Dear Sirs

DECLARATION OF INDEPENDENCE TO THE DIRECTORS OF WESTRALIAN GAS & POWER LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Westralian Gas and Power Limited

As lead audit partner for the audit of the financial statements of Westralian Gas and Power Limited, for the year ended 30 June 2009, 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

Kevin Somes

Somes & Cooke
1304 Hay Street
West Perth WA 6005

14 September 2009

Partners
Kevin Somes FCA
John Cooke FCA ACIS

Associates
Julie Burns CA
Rachelle Rose CA CFP®

Chartered Accountants, Business Consultants and Financial Advisers

ANALYSIS OF HOLDINGS OF LISTED SHARES AND OPTIONS IN THE COMPANY

	Ordinary Shares	Options expiring 17 Sep 2009 25 cents	Options expiring 1 Oct 2011 5 cents
1 — 1,000	135	0	0
1,001 — 5,000	99	1	0
5,001 — 10,000	163	92	0
10,001 — 100,000	602	157	11
100,001 — and over	195	36	49
Total number of holders	1,194	286	60
Holdings of less than a marketable parcel	579		

ANALYSIS OF HOLDINGS OF UNLISTED SHARES AND OPTIONS IN THE COMPANY

	Options expiring 17 Sep 2009 30 cents	Options expiring 26 Nov 2009 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	3	2
Total number of holders	1	3	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
Mr Christopher Brown	15,000,000	8.67%
Sunbeam Securities Pty Ltd <Sunbeam S/F A/C>	10,647,535	6.15%
Mr Stephen Leslie Thomas <S L T Family A/C>	9,008,670	5.21%
Kyle Parade Pty Ltd <Player Super Fund Gv A/C>	7,696,363	4.45%
Naturaliste Holdings Pty Ltd <Dhu Fish Investment A/C>	7,500,000	4.33%
Bouta Pty Limited	7,421,736	4.29%
Bouta Pty Limited <JB Martel Practice S/F A/C>	7,287,572	4.21%
HSBC Custody Nominees (Australia) Limited	6,713,172	3.88%
Mr David Frederick Hughes	4,025,806	2.33%
Mrs Ethel Isabella Byrne	2,500,000	1.44%
Andwendrod Services Pty Ltd	2,000,000	1.16%
Northgold Pty Ltd <Northgold Super Fund A/C>	2,000,000	1.16%
Ohio Enterprises Pty Ltd <Ohio Super Fund A/C>	2,000,000	1.16%
Mr Frank William Andre Aaron Lucas	1,920,000	1.11%
Leonard Snowden Cray	1,774,798	1.03%
Redground Pty Ltd	1,620,000	0.94%
Citicorp Nominees Pty Limited	1,538,000	0.89%
Mr Ali Diab	1,507,098	0.87%
Julii Pty Ltd <Hedy Family Account>	1,250,000	0.72%
Ms Sandra Toby + Mr Jonathan Moshe Toby <Riverside Super Fund A/C>	1,200,000	0.69%
	94,610,750	54.69%

TWENTY LARGEST HOLDERS OF 30 CENT OPTIONS EXPIRING 17 SEPTEMBER 2009

	Number of Options	Percentage of Total
Sunbeam Securities Pty Ltd Sunbeam S/F A/C	4,000,000	100.00%
	4,000,000	100.00%

TWENTY LARGEST HOLDERS OF 3 CENT OPTIONS EXPIRING 26 NOVEMBER 2009

	Number of Options	Percentage of Total
Mr Chong Kwee Ch'ng	1,000,000	40.00%
Ohio Holdings Pty Ltd	1,000,000	40.00%
Northgold Pty Ltd <Northgold Super Fund A/C>	500,000	20.00%
	2,500,000	100.00%

TWENTY LARGEST HOLDERS OF 25 CENT 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
Ms Joanne Catherine Martin	697,000	4.29%
Mr Michael Dickson	668,000	4.11%
Philippa Jean Newton Jones	650,000	4.00%
Mr Anthony Gray Flanders	550,000	3.38%
Mr Roy Peter Wiseman + Mr Benjamin Adam Wiseman <The Wiseman Super Fund A/C>	500,000	3.08%
Mr Geoffrey Vernon Butcher + Mrs Wendy Anne Butcher <GV & WA Butcher Family A/C>	460,000	2.83%
Mr Raymond Muskett	430,000	2.65%
Mr Terence Mccarthy	400,000	2.46%
Dr Eugene Riwoe <Tjia Tek Djin Super Fund A/C>	399,500	2.46%
Mrs Dia Rossides	301,479	1.86%
Rachiner Investments Pty Ltd <Berkeley Super Fund A/C>	270,000	1.66%
Bottomless Pit Pty Ltd <Adams Family A/C>	242,767	1.49%
Moye (WA) Pty Ltd <The Moye Super Fund A/C>	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%
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%
	7,277,546	44.78%

TWENTY LARGEST HOLDERS OF 5 CENT OPTIONS EXPIRING 1 OCTOBER 2011

	Number of Options	Percentage of Total
Mr Christopher Brown	15,000,000	10.14%
Sunbeam Securities Pty Ltd <Sunbeam S/F A/C>	15,000,000	10.14%
Mr Alan Robert Burns	10,000,000	6.76%
Mr Stephen Leslie Thomas <S L T Family A/C>	10,000,000	6.76%
Mrs Jirachaya Charnchayasuk	10,000,000	6.76%
Ohio Holdings Pty Ltd	9,337,500	6.31%
HSBC Custody Nominees (Australia) Limited	9,030,000	6.10%
Kyle Parade Pty Ltd <Player Super Fund Gv A/C>	8,500,000	5.75%
Naturaliste Holdings Pty Ltd <Dhu Fish Investment A/C>	7,500,000	5.07%
Amberwood Nominees Pty Ltd	7,000,000	4.73%
Northgold Pty Ltd <Northgold Super Fund A/C>	6,500,000	4.39%
Wavet Fund No 2 Pty Ltd <The Wavet Holdings A/C No 2>	5,000,000	3.38%
Mr David Frederick Hughes	3,225,806	2.18%
Bouta Pty Limited	3,000,000	2.03%
Mrs Ethel Isabella Byrne	2,500,000	1.69%
Mr Kristian John Barnes	2,000,000	1.35%
S M B A Investments Pty Ltd	2,000,000	1.35%
Mr Frank William Andre Aaron Lucas	1,920,000	1.30%
Goffacan Pty Ltd	1,500,000	1.01%
Redground Pty Ltd	1,500,000	1.01%
	130,513,306	88.21%

INTERESTS IN OIL & GAS TENEMENTS

LEASE	INTEREST
AUSTRALIA	
EP 455	100.00%
EP 462	100.00%
EL 70/3478	100.00%
DR 11	100.00%

* All leases in Australia are in the process of being transferred to Oswest Energy Pty Ltd pursuant to a title transfer and share sale and purchase agreement and a joint-venture shareholder's agreement with Oswal Resources Pty Ltd.

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%
Shepherd Lease: Approx 650 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
20-Jan-2009	Christopher Richard Brown	15,000,000
30-Jan-2009	SLT Family Trust & The Harley Super Fund & Stephen Leslie Thomas	9,744,843
30-Jan-2009	Mr Peter Briggs & Sunbeam Securities Pty Ltd	10,647,535
02-Feb-2009	Naturaliste Holdings Pty Ltd ATF Dhu Fish Investment Trust	7,500,000

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 – 2nd Edition" 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.

BOARD CHARTER

The business of the Company is managed under the direction of the Board of Directors. The Board is accountable to shareholders of the Company for the performance of the Company.

The Board has primary responsibility to shareholders for the sustainability and relevance of the Company by guiding and monitoring its business and affairs.

Each Director of the Company will act in good faith in the best interests of the Company and collectively oversee and appraise the strategies, major policies, processes and performance of the company using care and diligence to ensure that Company's long term sustainability is assured.

Directors will not misuse their position on the Board to advance personal interests nor to represent particular constituencies. Directors will not use information available to them as Board members to advance personal interests or agendas.

Directors are required to inform the Board of any conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors must absent themselves from discussion or decisions on those matters.

The Company's Constitution and Australian corporations law specifies the minimum and maximum number of directors of the Company.

The Directors must elect one of their number as Chairman.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

The Company has established the functions reserved to the Board. The Board is responsible for:

- overseeing the Company, including its control and accountability systems;
- appointing and removing the chief executive officer, managing director, or equivalent;
- ratifying the appointment and the removal of senior executives;
- providing input into and final approval of management's development of corporate strategy;
- reviewing, ratifying and monitoring risk management, internal control, codes of conduct and legal compliance;
- monitoring senior executives performance and implementation of strategy;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- approving and monitoring financial and other reporting.

Role and Responsibilities of Senior Executives

The Company has established the functions reserved to senior executives. Those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance are considered to be senior executives. The functions delegated to senior executives are:

- Managing and administer the day-to-day operations of the Company;
- Making recommendations to the Board on corporate strategy, risk management, internal control, codes of conduct and legal compliance.
- Supervising other staff and represent them to the Board
- Exercising such specific and express powers as are delegated to them by the Board from time to time;

Evaluation of the performance of Senior Executives

The Board monitors the performance of senior executives on an on-going basis and conducts an evaluation of the performance of senior executives as and when the Board considers appropriate. A formal evaluation of the performance of senior executives was not carried out in the financial year ended 30 June 2009.

Availability to public

The matters reserved for the Board, the matters delegated to senior executives and the Board Charter is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 2: STRUCTURE 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 2009.

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:

- 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;
- has not within the last 3 years been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with such a service provided;
- is not a material supplier or customer of the Company or another Group member, or an officer of, or otherwise associated directly or indirectly with a material supplier or customer;
- has no material 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 Geoffrey Hill to the date of his resignation on 26 March 2009 and Mr Kristian Barnes from the date of his appointment on 1 May 2009. Consequently, the Board does not have a majority of independent directors. Mr Peter Briggs is the chairman of the Board. The Chairman is not an independent director.

The Chief Executive Officer of the Company is the Managing Director, Mr Stephen Thomas.

The performance of the Board, its committees (if any) and the individual directors is assessed on an on-going basis by the Chairman of the Board. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole. A formal evaluation of the performance of the Board, or of individual directors, was not carried out in the financial year ended 30 June 2009.

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. Consequently, the Board has not established a nomination committee.

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.

Availability to public

The Board's policy for nomination and appointment of directors is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Company has established a code of conduct as to the:

- Practices necessary to maintain confidence in the Company's integrity;

- Practices necessary to take into account their legal obligations and the expectations of their stakeholders;

- Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The terms of the code of conduct are:

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.

Each director and senior executive is required to advise the Chairman of the Board of any reports of unethical practises by any director, executive or employee of the Company. The Chairman of the Board will investigate the matter and report back to the Board as a whole.

Directors are required to make disclosure of any trading in securities of the Company. 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 the Company's shares or options must be notified to the ASX.

Availability to public

The code of conduct and the policy for trading in the securities of the Company is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 4: SAFEGUARD 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.

In the event of the resignation of external auditors, the Board will appoint a new external auditor which is subsequently ratified by shareholders in General Meeting. In all other cases an external auditor is nominated by a shareholder of the Company and is appointed by shareholders in General Meeting. An external auditor can be removed by shareholders in General Meeting. The Board does not have a policy for the rotation of external audit engagement partners.

Availability to public

The above policies and procedures are included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company has established a policy to ensure compliance with ASX Listing Rule disclosure and accountability at senior executive level for that compliance. The terms of the policy are:

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.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company has a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at its Annual General Meetings. The terms of the communications policy are:

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

- preparing half yearly and yearly financial reports and announcing these reports to the ASX;
- preparing quarterly cash flow reports and reports as to activities and announcing these reports to the ASX;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- maintaining the Company's website and 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 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. The Annual General Meeting is held each year at a convenient time and place.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 7: RECOGNISE 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 Company has established a policy for the oversight of material business risks and the management of material business risks. Risk management is a process of continuous improvement that is integrated into existing practices or business processes. The terms of these risk management policies are:

- Liaise with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- Define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process.
- Identify the risks to be managed.
- Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur.

- Compare estimated levels of risk against pre-established criteria (see risk matrix in Risk Management Guide) and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.

- Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs. Allocate responsibilities to those best placed to address the risk and agree on target date for action.

- The Chairman and Chief Executive Officer are responsible for the implementation and maintenance of sound risk management. In carrying out this responsibility, senior managers review the adequacy of internal controls to ensure that they are operating effectively and are appropriate for achieving corporate goals and objectives.

- The Board is responsible for oversight and for providing corporate assurance on the adequacy of risk management procedures.

- Managers at all levels are to create an environment where managing risk forms the basis of all activities.

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.

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and has required management to report to it on whether those risks are being managed effectively. The Chief Executive has reported to the board as to effectiveness of the Company's management of its material business risks.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration under section 295A of the Corporations Act is founded on an appropriate system of risk management and internal control suitable for a small company, which is operating effectively in all material respects in relation to financial reporting risks.

Availability to public

The above policies are included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

There is no formal remuneration committee. The functions that would have been carried out by a remuneration committee are performed as follows:

- The remuneration of executive directors and senior executives is determined by the Board as a whole.

- A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. The Board as a whole determines the remuneration of each non-executive director. In determining the allocation of remuneration to each non-executive director, 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.

- When the Board as a whole considers the remuneration of a particular director, that director will take no part in the decision making process or discussions.

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

There are no schemes for retirement benefits other than superannuation for non-executive directors. There is no policy on prohibiting transactions in associated products which limit the economic risk to directors and executives of participating in unvested entitlements under an equity based remuneration scheme. The Company does not currently have an unvested equity based remuneration scheme.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

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
2.1 and 2.2	The Board does not have a majority of independent directors. The Chairman is not an independent director.	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.
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.
4.1, 4.2 and 4.3	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.
8.1	No formal remuneration committee has been established.	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 to establish a remuneration committee.