



HALF YEAR FINANCIAL REPORT

31 DECEMBER 2010

## CORPORATE DIRECTORY

### Directors and Officers

*Geoff Gander*  
*Executive Chairman/CEO*

*Alastair Beardsall*  
*Non-Executive Director*

*Baltabek Kuandykov*  
*Non-Executive Director*

*Scott Mison*  
*Executive Director/Company Secretary*

### Principal and Registered Office

Level 2, 28 Kings Park Road  
West Perth  
Western Australia 6005

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West Perth  
Western Australia 6872

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Facsimile +61 8 9322 8244  
Email [info@jupiterenergy.com.au](mailto:info@jupiterenergy.com.au)  
Website [www.jupiterenergy.com.au](http://www.jupiterenergy.com.au)

### Auditors

Ernst & Young  
11 Mounts Bay Road  
Perth, Western Australia 6000

Telephone +61 8 9429 2222  
Facsimile +61 8 9429 2436

### Bankers

National Australia Bank Limited  
Perth Central Business Banking Centre  
UB13.03, 100 St Georges Terrace  
Perth WA 6000

### Share Registry

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

Telephone 1300 557 010 (within Australia)  
+61 3 9415 4000 (outside Australia)  
Facsimile +61 8 9323 2033  
Website [www.computershare.com](http://www.computershare.com)

### ASX Code

Jupiter Energy Limited shares are listed on the Australian Securities Exchange under the code JPR.

## DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2010.

### Directors

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

Name	Directorship
Mr Geoff Gander	Appointed Director 27 January 2005
Mr Alastair Beardsall	Appointed Director 5 October 2010
Mr Baltabek Kuandykov	Appointed Director 5 October 2010
Mr Scott Mison	Appointed Director 31 January 2011
Mr David Thorpe	Resigned 31 January 2011
Mr Erkin Svanbayev	Resigned 5 October 2010
Mr Andrew Childs	Resigned 5 October 2010

The directors have been in office since the beginning of the period unless otherwise stated.

### Review of Operations

This review covers the 6 months from 1 July 2010 to 31 December 2010 and includes any significant events that have occurred between 1 January 2011 and the release date of this report.

### Operating Results

The consolidated loss for the period after income tax was \$3,248,349 (2009:\$2,107,123).

### Review of Financial Condition

At the end of December 2010, cash levels were \$8,972,820 (2009:\$1,291,182). Assets increased to \$34,412,938 (2009: \$25,123,251) and equity increased to \$33,083,486 (2009: \$23,396,805).

This financial year has, to date, been transformational for Jupiter Energy Limited (JPR and/or the Company). After having made a commercial discovery with its first new well on Block 31, JPR encountered both operational challenges and difficult capital market conditions. A decision was made by the Board during this period to seek a new cornerstone investor that would bring not only working capital to JPR but also specific industry and in country expertise, at both Board and Operational levels.

### Cornerstone Investor:

Discussions were held with a range of interested parties and in August 2010 the Company announced that the Waterford Group (Waterford) had agreed to work with JPR to raise \$16.67m (before costs) with Waterford taking a material equity stake in the Company.

By the end of September 2010, the Company had successfully completed the raising that was made up of several components including an initial placement to Waterford, a further placement to Waterford and Soyuzneftegas Limited post approval by shareholders at a General Meeting held on 21 September 2010 and, finally, the completion of a fully underwritten Rights Issue.

The acceptance rate of the Rights Issue, after taking into account the allocation to overseas shareholders via the shortfall process, was approximately 58%. The remaining shortfall was taken up by the underwriter (the Waterford Group) meaning that Waterford ultimately took an overall ~27% equity stake in the Company.

Waterford was formed in 1995 as a financing boutique and a portfolio manager for 3rd party assets and today is a substantial investor of its own funds, actively investing in fledgling and start-up companies and those looking for development capital. Waterford's primary focus is the resource sector. Waterford will establish long term

relationships with companies and, if required, offer its active assistance for projects, particularly at critical points of their development.

Since its incorporation, Waterford has been successful in raising finance, managing asset portfolios and directly investing in countries within the Former Soviet Union (including Kazakhstan), the Middle East and South America; primarily in the oil & gas upstream sector and gold exploration and production. Waterford has been an investor in many publically traded companies, including Dana Petroleum Plc (LSE), Sibir Energy Plc (LSE:AIM), Nobel Resources Plc (Ireland), Vanguard Petroleum (Australia), EuroSov Petroleum Plc (LSE), Anglo-Siberian Oil Plc (LSE:AIM), First Calgary Petroleum Ltd (TSX & LSE:AIM), Emerald Energy Plc (LSE) and Thistle Mining Corporation (TSX). Waterford's current investments include Petroceltic International Plc (LSE:AIM), Sterling Energy Plc (LSE:AIM), Aladdin Oil & Gas (Norway), Jupiter Energy Limited (ASX) and a number of unlisted investments.

### **Corporate Changes:**

Concurrent with welcoming Waterford as a substantial shareholder, the JPR Board was changed. Alastair Beardsall and Baltabek Kuandykov joined the Board on 5 October 2010 and Andrew Childs and Erkin Svanbayev resigned on the same day.

In early October 2010, the Company began the consolidation of its Kazakhstan operations and business functions into one location in Aktau. The key goal was to ensure the growing Kazakh operation became an integrated business organisation. The Aktau office had previously focussed on Operations whilst the Almaty office had been responsible for Finance, Administration, Legal and Geoscience.

The consolidation into Aktau was completed on 30 November 2010 and as part of the consolidation process, the Company strengthened the Aktau Management team with the hiring of a Chief Financial Manager, a Legal and Procurement Manager and a Chief Geologist.

The Company maintains a representative presence in Almaty where Erkin Svanbayev continues to act as a Consultant to the Company focussed on Government relations and assisting with planning for oil exports.

In January 2011 the Company completed the strengthening of the senior management with Henry Wolski joining the Company as Senior Vice President of Jupiter Energy (Kazakhstan) based full time in Aktau. Henry is a 30 year veteran of the oil & gas industry and has spent most of the past 20 years working in Russia and Kazakhstan. A Canadian citizen, he speaks fluent Russian and brings with him broad experience of large scale projects with specific focus in drilling, completion and workover programming and supervision, production and reservoir management as well as considerable expertise in management, supervision and design of hydraulic fracturing and acidizing stimulation operations.

In January 2011, the Company also announced that Executive Chairman Geoff Gander was relocating to the United Kingdom as part of the Company's strategy to broaden the shareholder base and to advance plans for a potential dual listing of JPR shares on the Alternative Investment Market (AIM) during 2011.

Managing Director David Thorpe elected not to relocate to the United Kingdom and left JPR on 31 January 2011. Scott Mison, the Company's Company Secretary and Accountant, joined the Board as a Director and Henry Wolski has assumed David's responsibilities for day to day operations in Kazakhstan.

In terms of drilling operations, the primary focus over the period has been the drilling of JPR's 2010 commitment well (J-52).

### **J-52 Well:**

The J-52 well reached a total depth of 3152m on 27 December 2010, 54 days after it was spud; open-hole logs were run, the well was cased and suspended and the drilling rig demobilised. Operational progress and geological results were consistent with the Company's drilling plans and well prognosis. The Company is pleased to report there were no safety incidents during the drilling operation.

Both hydrocarbon shows while drilling and interpretation of the open-hole logs indicated movable hydrocarbons

in two zones in the well. Each zone was successfully cored and each 9m core contained free, movable oil.

The primary reservoir objective for J-52, the mid-Triassic carbonate reservoir unit, which was successfully tested in J-50, was interpreted in J-52 from 2994m to 3098m (104m) and cored from 2999m to 3008m (9m). Preliminary open-hole log interpretations indicated approximately 60% net pay which is typical for the Mangistau area.

71m of the mid-Triassic was perforated under balance with tubing conveyed guns and then stimulated using 138m<sup>3</sup> of 15% Hydrochloric (HCl) acid; the well was swabbed to recover the spent acid prior to commencing an extended production test and the Company will update shareholders on the results of testing operations when they become available.

During 1<sup>st</sup> quarter of 2011 the Company intends to commence a 90-day production test on the J-52 mid-Triassic reservoir - the maximum period allowed by the Government. The well will then be shut in and an application for a Trial Production Licence for the mid-Triassic reservoir will be made to the relevant Government authorities.

The Company has signed an oil sales agreement with a local oil trader to purchase oil produced during the production testing period.

The Z-sand is the secondary reservoir objective for J-52. The zone was interpreted from open-hole logs to have a gross interval from 2853m to 2882m (29m). This reservoir was cored from 2855m to 2864m (9m). Open-hole log analysis calculated approximately 9m of net pay which is most likely oil saturated.

The reservoir is very similar to an as yet Z-sand untested zone in the J-50 well and also correlates to the Ju-XIII reservoir in NWZ#2 which tested oil in 1969 and more recently during swabbing operations. The age of this interval will be determined by paleontological dating however, for the moment, it has been named the Z-sand.

After production testing on the Triassic has been completed, the Company will move to perforate and test the Z sand. Independent reserve calculations are currently being carried out by Senergy Limited (Senergy) on the Mid Triassic reservoir and will also be carried out on the Z-sand after flow rates from that reservoir have been established.

Production testing of the Z-sand is expected to commence during the 3rd quarter of 2011.

#### **J-50 Well:**

The J-50 well completed the 3 month maximum production test period permitted under the Kazakh regulations on 31 August 2010 and the well has remained shut in since this time. The Company is now in the process of applying for a Trial Production Licence (TPL) for J-50; this has involved the preparation and submission of studies to the Government authorities to process the TPL application.

#### **NWZ#2 Well:**

In November 2010 the Company announced that it had suspended work on the well until after the results of J-52 had been processed. It is expected work will recommence on NWZ#2 after the results of flow testing the J-52 Z-Sand; this is expected to be in the 3rd quarter of 2011.

#### **Block 31 Extension Application:**

The Company has identified prospective exploration acreage adjacent to the boundary of Block 31 and applied for an extension to Block 31. An update on the progress of this application is expected during the first quarter of 2011.

## Independent Reserves and Resource report:

The Company appointed Senergy during the period to conduct an independent assessment of the reserves and resources of Block 31; Senergy completed a similar independent review of Block 31 in January 2010.

The 2011 assessment will be based on data obtained from the J-50 and J-52 wells and additional cased hole logging data acquired on the NWZ#2 well in 2010. The new reserve and resource estimates for the Triassic reservoir are expected to be undertaken during the first quarter of 2011 and will be announced as soon as the work has been completed by Senergy.

### Summary:

The past nine months have been, , transformational for the Company. The lessons learnt from J-50 have led to a far more effective drilling campaign for J-52; furthermore the structural changes made at both the Board and Operations level are proving to be extremely productive in relation to the efficiency and effectiveness of operations in general.

Positive results over the coming months will be crucial to maintaining momentum as the Company considers a dual listing of its shares in London later in 2011.

### Subsequent Events: Changes to Organisational and Capital Structure

- Managing Director, David Thorpe resigned effective 31 January 2011. Mr. Thorpe's remaining 10,000,000 performance rights expiring on 31 December 2011 (5,000,000) and 31 December 2012 (5,000,000) were forfeited as a result of his resignation.
- Scott Mison was appointed executive director on 31 January 2011.
- 10,000,000 unlisted options exercisable at \$0.08 on 30 June 2011 were cancelled after being forfeited.

### *Auditor's Independence Declaration*

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from Ernst & Young, the consolidated entity's auditors. The independence declaration is included at page 6 of the financial report.

Dated at West Perth on 15 March 2011.

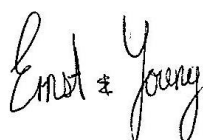
This report is signed in accordance with a resolution of the Board of Directors.



**G A Gander**  
Executive Chairman/CEO

## Auditor's Independence Declaration to the Directors of Jupiter Energy Limited

In relation to our review of the half-year financial report of Jupiter Energy Limited for the year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized signature of the Ernst & Young logo, written in a cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to be 'R J Curtin'.

R J Curtin  
Partner  
Perth  
15 March 2011

To the members of Jupiter Energy Limited

## Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of Jupiter Energy Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

## Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Jupiter Energy Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

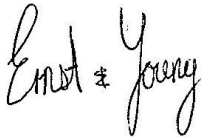
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



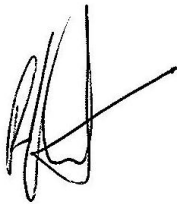
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Jupiter Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to be 'R J Curtin'.

R J Curtin  
Partner  
Perth  
15 March 2011

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Jupiter Energy Limited, I state that:

In the opinion of the Directors:

- a. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - I. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and the performance for the half-year ended on that date, and
  - II. complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**G A Gander**  
Executive Chairman/CEO

Signed in West Perth 15 March 2011.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Note	Consolidated Entity	
		6 months to 31 December 2010 \$A	6 months to 31 December 2009 \$A
Interest revenue		35,416	4,884
Other income	4	-	138,075
Administration expenses		(694,202)	(1,037,442)
Consulting fees		(285,465)	(167,723)
Depreciation expenses		(21,422)	(8,336)
Employee benefits expense		(1,282,955)	(990,132)
Legal fees		(57,695)	(13,369)
Occupancy expenses		(92,570)	(33,080)
Loss on derivative		(57,678)	-
Foreign currency loss		(791,780)	-
<b>Total expenses</b>		<b>(3,283,767)</b>	<b>(2,250,082)</b>
<b>Loss before tax</b>		<b>(3,248,349)</b>	<b>(2,107,123)</b>
Income tax expense		-	-
<b>Loss after income tax</b>		<b>(3,248,349)</b>	<b>(2,107,123)</b>
<b>Other comprehensive income</b>			
Foreign currency translation		(3,596,569)	(954,906)
<b>Total comprehensive loss for the period</b>		<b>(6,844,918)</b>	<b>(3,062,029)</b>
<b>Loss per share attributable to ordinary equity holders of the parent (cents per share)</b>			
Basic loss per share		(0.26)	(0.34)
Diluted loss per share		(0.26)	(0.34)

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

	Note	Consolidated Entity	
		31 December 2010 \$A	30 June 2010 \$A
<b>Current Assets</b>			
Cash and cash equivalents	5	8,972,820	1,327,806
Trade and other receivables		1,220,946	973,543
Inventories		179,612	87,497
Other current assets		273,075	148,906
<b>Total Current Assets</b>		10,646,453	2,537,751
<b>Non Current Assets</b>			
Plant and equipment		146,097	144,140
Mineral exploration expenditure	6	23,484,636	22,282,954
Other financial assets		135,752	158,406
<b>Total Non Current Assets</b>		23,766,485	22,585,500
<b>Total Assets</b>		34,412,938	25,123,251
<b>Current Liabilities</b>			
Payables	7	1,074,828	868,402
Other financial liabilities	8	-	732,369
Provisions		50,163	39,962
<b>Total Current Liabilities</b>		1,124,991	1,640,733
<b>Non -Current Liabilities</b>			
Provisions		204,461	85,713
<b>Total Non-Current Liabilities</b>		204,461	85,713
<b>Total Liabilities</b>		1,329,452	1,726,446
<b>Net Assets</b>		33,083,486	23,396,805
<b>Equity</b>			
Contributed equity	9	60,727,833	44,681,247
Share based payments reserve		3,649,922	3,164,908
Foreign currency translation reserve		(4,737,871)	(1,141,302)
Accumulated losses		(26,556,398)	(23,308,048)
<b>Total Equity</b>		33,083,486	23,396,805

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

<b>CONSOLIDATED</b>	Issued Capital	Share based payment reserve	Foreign currency translation reserve	Accumulated Losses	Total Equity
	<b>\$A</b>	<b>\$A</b>	<b>\$A</b>	<b>\$A</b>	<b>\$A</b>
As at 1 July 2010	44,681,247	3,164,908	(1,141,302)	(23,308,049)	23,396,805
Loss for the period	-	-	-	(3,248,349)	(3,248,349)
Other comprehensive income	-	-	(3,596,569)	-	(3,596,569)
Total comprehensive income	-	-	(3,596,569)	(3,248,349)	16,551,887
Share based payments	-	485,014	-	-	485,014
Shares issued	16,682,381	-	-	-	16,682,381
Cost of share issue	(635,795)	-	-	-	(635,795)
As at 31 December 2010	60,727,833	3,649,922	(4,737,871)	(26,556,398)	33,083,486
As at 1 July 2009	29,720,713	922,899	(749,931)	(17,795,978)	12,097,703
Loss for the period	-	-	-	(2,107,123)	(2,107,123)
Other comprehensive income	-	-	(954,906)	-	(954,906)
Total comprehensive income	29,720,713	-	(954,906)	(2,107,123)	9,035,674
Share based payments	-	735,991	-	-	735,991
Shares issued	7,237,204	-	-	-	7,237,204
Cost of share issue	(46,722)	-	-	-	(46,722)
As at 31 December 2009	36,911,195	1,658,891	(1,704,837)	(19,903,101)	16,962,148

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	<b>Consolidated Entity</b>	
	<b>6 months to 31 December 2010 \$A</b>	<b>6 months to 31 December 2009 \$A</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	-	12,895
Payments to suppliers and employees	(2,191,037)	(1,903,895)
Interest received	35,417	4,884
<b>Net cash (used in) operating activities</b>	<u>(2,155,620)</u>	<u>(1,886,116)</u>
 <b>Cash flows from investing activities</b>		
Payments for exploration expenditure	(5,412,758)	(4,342,377)
Payments for plant and equipment	(23,379)	(19,636)
<b>Net cash (used in) investing activities</b>	<u>(5,436,137)</u>	<u>(4,362,013)</u>
 <b>Cash flows from financing activities</b>		
Proceeds from issue of shares	16,672,381	7,237,204
Transaction costs from issue of shares	(625,795)	(46,722)
<b>Net cash provided by financing activities</b>	<u>16,046,586</u>	<u>7,190,482</u>
 <b>Net increase/(decrease) in cash held</b>	8,454,829	942,353
Cash at the beginning of the financial period	1,327,806	1,291,183
Foreign exchange gain/(loss)	(809,815)	124,597
<b>Cash at the end of the financial period</b>	<u>8,972,820</u>	<u>2,358,133</u>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The half year financial report of Jupiter Energy Limited for the period 31 December 2010 was authorised for issue in accordance with a resolution of the Directors on 15 March 2011.

Jupiter Energy Limited is a company limited by shares that is incorporated and domiciled in Australia and whose shares are publicly listed on Australian Securities Exchange. The registered office is Level 2, 28 Kings Park Road, West Perth, Western Australia 6005.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### (a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

All monetary values are reported in A\$ unless otherwise stated.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Jupiter Energy Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

#### (b) Accounting policies

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2010, except as discussed below.

#### **New and amending accounting standards and interpretations**

From 1 July 2010, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on 1 July 2010. Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]
- Interpretation 19 Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The Group has not elected to early adopt any new standards or amendments that are issued by not yet effective.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****3. SEGMENT REPORTING**

The Consolidated Entity is exploring for oil and gas in Kazakhstan. Each activity has been aggregated as they have similar economic characteristics and are being conducted in one area of interest. The operations of the Consolidated Entity therefore present one operating segment under AASB 8 Operating Segments.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the half year financial report.

**4. OTHER INCOME**

	<b>Consolidated</b>	
	<b>6 months to 31 December 2010 \$A</b>	<b>6 months to 31 December 2009 \$A</b>
Other income	-	12,895
Foreign currency gain	-	125,180
	-	138,075

**5. CASH AND CASH EQUIVALENTS**

	<b>Consolidated Entity</b>	
	<b>31 Dec 2010 \$A</b>	<b>31 Dec 2009 \$A</b>
Cash at bank and in hand	8,967,156	2,352,815
Short-term deposits	5,664	5,318
	8,972,820	2,358,133

For the purpose of the half year cash flow statement, cash and cash equivalents are comprised of the following:

**6. MINERAL EXPLORATION EXPENDITURE**

	<b>Consolidated Entity</b>	
	<b>31 Dec 2010 \$A</b>	<b>30 June 2010 \$A</b>
Opening balance	22,282,954	15,177,137
Additions	4,487,621	7,839,623
Foreign exchange translation	(3,285,939)	(733,806)
Balance at the end of the half-year	23,484,636	22,282,954



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 7. OTHER PAYABLES

	Consolidated Entity	
	31 Dec 2010 \$A	30 June 2010 \$A
Trade creditors	883,323	837,002
Accrued expenses	58,229	31,400
Other payables	133,276	-
	<u>1,074,828</u>	<u>868,402</u>

## 8. OTHER FINANCIAL LIABILITIES

Biskra payable	-	732,369
	<u>-</u>	<u>732,369</u>

On 16 September 2010 the obligation to Biskra was settled in full.

## 9. CONTRIBUTED EQUITY

	31 Dec 2010 \$A	30 June 2010 \$A
<i>Issued Capital</i>		
Ordinary shares (a)	60,433,635	44,397,049
Options (b)	294,198	284,198
	<u>60,727,833</u>	<u>44,681,247</u>

## (a) Movements in ordinary share capital

	No.	\$A
Balance 1 July 2009	361,860,189	29,436,515
Issue of shares – rights issue 1 for 1	361,860,202	7,237,204
Issue of shares – share based payment	12,500,000	587,500
Balance 31 December 2009	<u>736,220,391</u>	<u>37,261,219</u>
Share placement at 4.5c	50,000,000	2,250,000
Share placement at 6.5c	71,707,231	4,660,971
Issue to Biskra Holdings	28,292,769	1,216,591
Cost of issue	-	(991,732)
Balance 30 June 2010	<u>886,220,391</u>	<u>44,397,049</u>
Issue of shares – Placement	277,777,778	7,500,000
Issue of shares – Rights issue 1 for 3	339,717,817	9,172,381
Issue to Pursuit Capital	7,718,695	-
Cost of issue	-	(635,795)
Balance 31 December 2010	<u>1,511,434,681</u>	<u>60,433,635</u>

## (b) Movements in options

Balance 1 July 2009	323,000,000	284,198
Issue of options – share based payments	10,000,000	-
Balance 31 December 2009	<u>333,000,000</u>	<u>284,198</u>
Expiry of listed options	(300,000,000)	-
Balance 30 June 2010	<u>33,000,000</u>	<u>284,198</u>
Issue of options	-	10,000
Balance 31 December 2010	<u>33,000,000</u>	<u>294,198</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****10. SHARE BASED PAYMENTS**

During the period 15,000,000 performance rights expired as a result of failing to meet the vesting conditions.

**11. CONTINGENT LIABILITIES**

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

**12. EVENTS SUBSEQUENT TO REPORTING DATE**

- Managing Director, David Thorpe resigned effective 31 January 2011. Mr. Thorpe's remaining 10,000,000 performance rights [expiring on 31 December 2011 (5,000,000) and 31 December 2012 (5,000,000)] were forfeited as a result of his resignation.
- Scott Mison was appointed executive director on 31 January 2011
- 10,000,000 unlisted options exercisable at \$0.08 on 30 June 2011 were cancelled after being forfeited.

Except as disclosed above, there are no matters or circumstances that have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group not otherwise disclosed in future financial years.

**13. COMMITMENT FOR EXPENDITURE****Exploration Work Program Commitments**

The Group has entered into a subsoil utilisation rights for petroleum exploration and extraction in Block 31 in Mangistauskaya Oblast in accordance with Contract No. 2272 of the 29<sup>th</sup> of December 2006 with the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (now renamed the Ministry of Oil & Gas of the Republic of Kazakhstan.).

Exploration work program commitments contracted for (but not capitalised in the accounts):

	<b>Consolidated Entity</b>	
	<b>31 Dec 2010</b>	<b>30 June 2010</b>
	<b>\$A</b>	<b>\$A</b>
not later than one year	2,952,000	6,656,546
later than one year but not later than five years	10,823,560	19,852,855
	<u>13,775,560</u>	<u>26,509,401</u>