ODYSSEY
ENERGY LIMITED

ANNUAL FINANCIAL REPORT

30 JUNE 2009

ABN 73 116 151 636

CORPORATE DIRECTORY

DIRECTORS:	Mr Ian Middlemas – Chairman Mr Mark Pearce Mr David Cruse
COMPANY SECRETARY:	Mr Mark Pearce
REGISTERED AND PRINCIPAL OFFICE:	Level 9, BGC Centre 28 The Esplanade Perth WA 6000 Tel: +61 8 9322 6322 Fax: +61 8 9322 6558
SHARE REGISTER:	Computershare Investor Services Pty Ltd Level 2 45 St Georges Terrace Perth WA 6000 Tel: 1300 557 010 Int: +61 8 9323 2000 Fax: +61 9323 2033
STOCK EXCHANGE LISTING:	Australian Securities Exchange Home Branch – Perth 2 The Esplanade Perth WA 6000
ASX CODE:	ODY – Fully paid ordinary shares
SOLICITORS:	Hardy Bowen Lawyers
AUDITORS:	BDO Kendalls Audit & Assurance (WA) Pty Ltd

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DIRECTORS' REPORT

The Directors of Odyssey Energy Limited present their report on the consolidated entity consisting of Odyssey Energy Limited ("the Company" or "Odyssey" or "Parent Entity") and the entities it controlled at the end of, or during, the year ended 30 June 2009 ("Consolidated Entity" or "Group").

DIRECTORS

The names of directors in office at any time during the financial year or since the end of the financial year are:

Mr Ian Middlemas
Mr Mark Pearce
Mr David Cruse (appointed 3 October 2008)
Mr Mark O'Clery (resigned 3 October 2008)

Unless otherwise disclosed, Directors held their office from 1 July 2008 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Ian Middlemas
Chairman
Qualifications – B.Com, CA

Mr Middlemas is a Chartered Accountant, a member of the Securities Institute of Australia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a director of Odyssey Energy Limited on 8 September 2005. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Salinas Energy Limited (November 1995 - present), OmegaCorp Ltd (October 2000 – August 2007), Global Petroleum Limited (April 2007 – present), QED Occtech Limited (July 2001 – present), Indo Mines Limited (December 2006 – present), Mantra Resources Limited (September 2005 – present), Mavuzi Resources Limited (January 2007 – March 2008), Pacific Energy Limited (June 2006 – present), Fusion Resources Limited (May 2002 – March 2009), Sierra Mining Limited (January 2006 – present), Sovereign Metals Limited (July 2006 – present), Xenolith Resources Limited (March 2007 - present), Berkeley Resources Ltd (July 2003 – November 2006), Syngas Limited (May 2007 – February 2008) and WCP Resources Limited (September 2009 to present).

Mark Pearce
Non-Executive Director and Company Secretary
Qualifications – B.Bus, CA, FCIS, F Fin

Mr Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed small cap resource companies and has worked for several large international Chartered Accounting firms. Mr Pearce is also a Fellow of the Institute of Chartered Secretaries and a Fellow of the Financial Services Institute of Australasia.

Mr Pearce was appointed a director of Odyssey Energy Limited on 8 September 2005, appointed Company Secretary of Odyssey Energy Limited on 10 May 2006. During the three year period to the end of the financial year, Mr Pearce has held directorships in OmegaCorp Limited (October 2000 – August 2007), Salinas Energy Limited (February 2002 - July 2006), Xenolith Resources Limited (March 2007 - present), Syngas Limited (May 2007 – January 2008), Mantra Resources Limited (September 2005 – present), Mavuzi Resources Limited (January 2007 – June 2008), QED Occtech Limited (November 2004 – present), Fusion Resources Limited (May 2002 – February 2009), Sovereign Metals Limited (July 2006 – present), Sierra Mining Limited (January 2006 – August 2006), and WCP Resources Limited (September 2009 to present).

DIRECTORS’ REPORT

CURRENT DIRECTORS AND OFFICERS (Continued)

David Cruse
Non-Executive Director
Qualifications – B.Pharm

Mr Cruse has had a long career in commerce and finance. He was a stockbroker for over 20 years, where he held senior management positions and directorships in the stockbroking industry, with particular focus on capital markets. Recently, Mr Cruse has been involved in the identification and commercialisation of a number of resource (including oil and gas) projects.

Mr Cruse was appointed a director of Odyssey Energy Limited on 3 October 2008. During the three year period to the end of the financial year, Mr Cruse has held directorships in Sierra Mining Limited (January 2006 – present).

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year consisted of oil and gas exploration, appraisal and development activities. There has been no change in the nature of those activities.

EMPLOYEES

	2009	2008
The number of full time equivalent people employed by the Consolidated Entity at balance date	-	1

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the year ended 30 June 2009 (2008: nil).

EARNINGS PER SHARE

	2009 Cents	2008 Cents
Basic loss per share	(23.65)	(1.33)
Diluted loss per share	(23.65)	(1.33)

CORPORATE STRUCTURE

Odyssey Energy Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report including the entities it incorporated and controlled during the financial year.

CONSOLIDATED RESULTS

	2009 $	2008 $
Loss of the Continuing Entity before income tax expense	(11,777,803)	(664,971)
Loss of the Discontinued Entity before income tax expense	(1,975,882)	(57,242)
	(13,753,685)	(722,213)
Income tax expense	-	-
Net loss for the year	(13,753,685)	(722,213)

REVIEW AND RESULTS OF OPERATIONS

Review of Operations

The 2009 financial year resulted in a number of major changes for Odyssey, including:

- the Company completed the sale of its subsidiary OEL Operating (USA) ("OEL") to Marion Energy Limited ("Marion"), in consideration for 27.5 million Marion Shares (ASX Code MAE);
- Limited activities on the Company's McClain County Project to desktop reviews of geological information. The Board will re-assess this approach should the oil and gas sector markets in the USA materially change;
- Following the sale of OEL to Marion and the limited activities at the Company's McClain County Project, the Company has substantially reduced its working capital requirements, with ongoing cash outflows for overheads and exploration expenditure now kept to a minimum; and
- Increased focus on new business development activities with the Company now actively pursuing opportunities in the energy sector.

Marion Energy Shares

As discussed above, Odyssey now holds 27.5 million shares in Marion. These shares were escrowed until 4 June 2009.

Marion also announced a new reserves report (see ASX release dated 30 April 2009) with revised Proved and Probable (2P) reserves of 225 Bcf (3P reserves are 243 Bcf). The revised reserves report reflects the reduced gas prices since the last reserves report prepared in mid 2007.

Marion announced during the June quarter that the major global corporate advisory firm, Goldman Sachs, had formally commenced the process to find a suitable buyer or merger for Marion and/or its assets.

In August 2009 Marion announced that the sale process was ongoing and that it had recommenced operations at Clear Creek to bring wells back into production. It is expected that the result of these activities will impact on the price at which Marion Energy's shares trade on the ASX.

REVIEW AND RESULTS OF OPERATIONS (Continued)

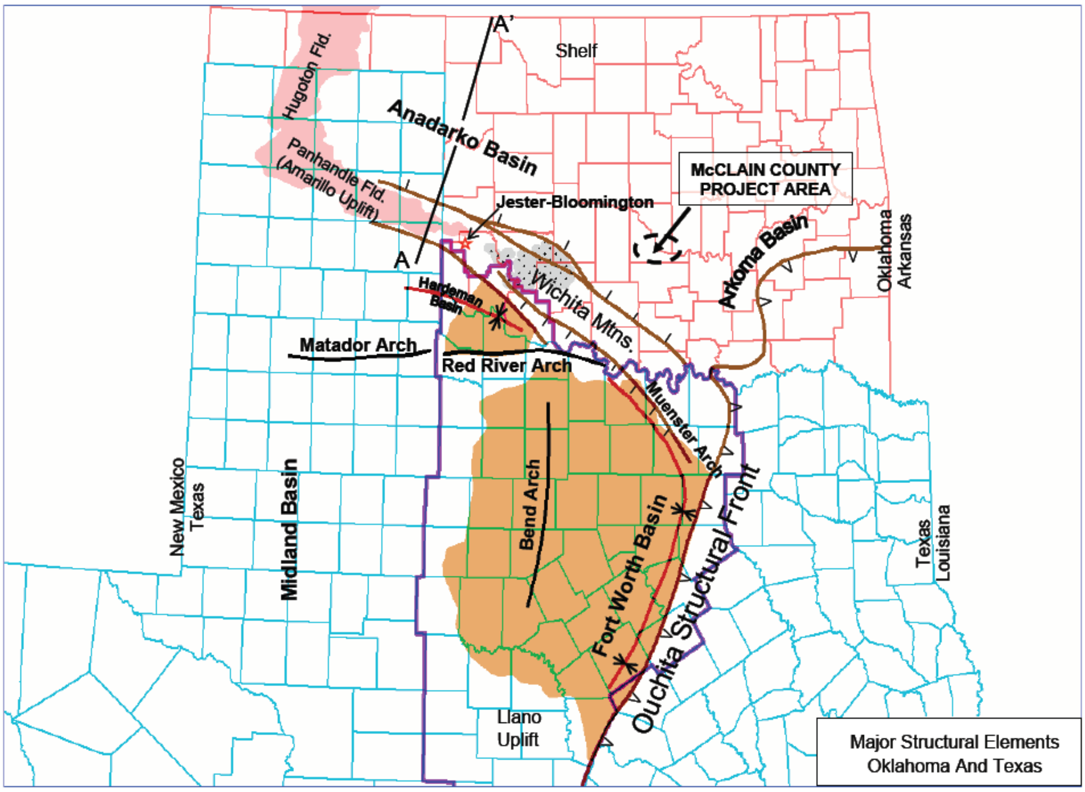
Operations - McClain County Project – Odyssey 50% WI

In mid 2008 Odyssey acquired a 50% working interest in a new project area in Oklahoma comprising 1,626 gross acres, and targeting gas and associated oil in the Woodford Shale at between 6,000 and 8,000 feet.

The Company is undertaking desktop geological and other technical studies which will continue on a limited basis during the remainder of 2009, initially focusing on the results achieved by other operations in the area.

The Company had an option to acquire the remaining 50% interest in the project, but this was not exercised and expired on 30 June 2009.

Due to the sustained decline in gas prices in the US market, the Board has now resolved to write down the value of the project in its accounts to nil, effective from 30 June 2009, resulting in an impairment charge of $445,278 being recorded.



Review of Results

The consolidated loss for the 2009 financial year was $13,753,685 (2008: $722,213) and included the following material expenses:

- Following a prolonged downturn in gas prices in the USA, an expense for the impairment of exploration assets located in the USA of $445,278; and
- An expense for the impairment in the value of the investment in Marion Energy of $10,656,250.

Corporate and Financial Position

The Company recently entered into a revised unsecured short term loan facility of up to $1,000,000, which is now repayable in October 2010. The Board continues to examine a number of funding alternatives, which may include further capital raisings and/or additional debt facilities.

Activities on the Company's McClain County Project are currently being limited to desktop reviews of geological information. The Board will re-assess this approach should the oil and gas sector markets materially change.

Business Strategies and Prospects

The Company currently has the following business strategies and prospects over the medium to long term:

- assess options available to the Group in respect to the 27.5 million Marion Shares it now holds;
- continuing to examine other new business development opportunities in the energy sector; and
- seek to maximise the value of the Group's current oil and gas assets, located in Oklahoma, USA.

Risk Management

The Board is responsible for the oversight of the Consolidated Entity's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include regular reporting to the Board in respect of operations and the financial position of the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed below, there were no significant changes in the state of affairs of the Group during the year.

- On 4 September 2008 the sale of OEL Operating (USA) to Marion Energy Limited for 27.5 million Marion Shares settled.

SIGNIFICANT POST BALANCE DATE EVENTS

Other than as outlined below as at the date of this report there are no matters or circumstances, which have arisen since 30 June 2009 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2009, of the Consolidated Entity;
- the results of those operations, in financials years subsequent to 30 June 2009, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2009, of the Consolidated Entity.

Loan facility

On 29 September 2009, the Company entered into a revised unsecured short term loan facility of up to $1,000,000, which is now repayable in October 2010.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation, including Utah and Oklahoma, USA. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities. There have been no significant known breaches by the Consolidated Entity during the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is the Board's current intention that the Group will seek to progress exploration, appraisal and field development activities on its remaining oil and gas projects. The Company will also continue to examine new opportunities in the energy sector. The Board will examine the most appropriate alternatives for the shareholding in Marion Energy.

These activities are inherently risky and there can be no certainty that the Group will be able to successfully achieve the objectives. In the opinion of the Directors, any further disclosure of information regarding likely developments in the operations of the Group and the expected results of these operations in subsequent financial years may prejudice the interests of the Company and accordingly further information has not been disclosed.

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF ODYSSEY

The following table sets out each Director's relevant interest in shares, options and convertible notes of the Company as at the date of this report:

	Interest in Securities at the date of this Report			Interest in Securities issued/granted during the year		
	Shares[1]	$1.00 Unlisted Options[2]	$0.65 Convertible Notes[3]	Shares[1]	$1.00 Unlisted Options[2]	$0.65 Convertible Notes[3]
Ian Middlemas	2,900,000	-	-	-	-	-
David Cruse	453,000	-	77,000	-	-	-
Mark Pearce	1,016,000	250,000	-	-	-	-

Notes:
[1] "Shares" means fully paid ordinary shares in the capital of the Company.
[2] $1.00 "Unlisted Options" means an option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of $1.00 on or before 31 December 2009.
[3] $0.65 "Convertible Notes" means an option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of $0.65.

SHARE OPTIONS

At the date of this report the following options have been issued over unissued capital:

- 1,400,000 unlisted options at an exercise price of $1.00 each that expire on 31 December 2009.

During the year ended 30 June 2009, 300,000 $0.20 options and 850,000 $0.60 options expired. Since 30 June 2009, no shares have been issued as a result of the exercise of options.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2009, and the number of meetings attended by each director.

Current Directors	Board Meetings Number Eligible to Attend	Board Meetings Number Attended
Ian Middlemas	5	5
David Cruse[1]	3	3
Mark Pearce	5	5
Mark O'Clery[2]	1	1

Notes:
[1] Mr Cruse was appointed Director on 3 October 2008.
[2] Mr O'Clery resigned as Director on 3 October 2008.

REMUNERATION REPORT - AUDITED

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel **("KMP")** of the Group.

Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

Non-Executive Directors

Mr Ian Middlemas	Non-Executive Chairman
Mr David Cruse	Non-Executive Director (appointed 3 October 2008)
Mr Mark Pearce	Non-Executive Director and Company Secretary

Executive Director

Mr Mark O'Clery	Managing Director (resigned 3 October 2008)

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

Remuneration Policy

The remuneration policy for the Group's KMP (including the Managing Director) has been developed by the Board taking into account:

- the size of the Group;
- the size of the management team for the Group;
- the nature and stage of development of the Group's current operations; and
- market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- the Company is currently focused on undertaking exploration, appraisal and development activities with a view to establishing a substantial level of gas reserves and cash flows from operations. The Company is also examining a number of new business opportunities in the energy sector;
- risks associated with energy companies whilst exploring and developing projects; and
- other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until some time after the successful commercialisation, production and sales of gas from one or more of its current projects, or the acquisition of a profitable project.

Remuneration Policy for Executives

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (including options, see below). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning KMP objectives with shareholder and business objectives.

REMUNERATION REPORT – AUDITED (Continued)

Performance Based Remuneration – Incentive Options

The Board has chosen to issue incentive options to KMP as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the KMP and to provide an incentive linked to the performance of the Company. The Board considers that each KMP's experience in the resources industry will greatly assist the Company in progressing its projects to the next stage of development and the identification of new projects. As such, the Board believes that the number of incentive options granted to KMP is commensurate to their value to the Company.

The Board has a policy of granting options to KMP with exercise prices at and/or above market share price (at time of agreement). As such, incentive options granted to Key Management Personnel will generally only be of benefit if the KMP perform to the level whereby the value of the Company increases sufficiently to warrant exercising the incentive options granted.

Other than service-based vesting conditions, there are no additional performance criteria on the incentive options granted to KMP, as given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the Key Management Personnel and the performance and value of the Company are closely related.

Impact of Shareholder Wealth on Key Management Personnel Remuneration

The Board does not directly base remuneration levels on the Company's share price or movement in the share price over the financial year. However, as noted above, a number of KMP have received options which generally will only be of value should the value of the Company's shares increase sufficiently to warrant exercising the incentive options granted.

As a result of the Company's exploration and new business activities, the Board anticipates that it will retain future earnings (if any) and other cash resources for the operation and development of its business. Accordingly the Company does not currently have a policy with respect to the payment of dividends, and as a result the remuneration policy does not take into account the level of dividends or other distributions to shareholders (eg return of capital).

Impact of Earnings on Key Management Personnel Remuneration

As discussed above, the Company is currently undertaking exploration and development activities, and other than from the sale of assets, does not expect to be undertaking profitable operations until some time after the successful commercialisation, production and sales of commodities from one or more of its current projects.

Accordingly the Board does not consider current or prior year earnings when assessing remuneration of KMP.

Remuneration Policy for Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, incentive options have been used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Total directors' fees paid to all non-executive directors is not to exceed $150,000 per annum. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors may in limited circumstances receive incentive options in order to secure their services.

Fees for the Chairman are presently $36,000 (2008: $36,000) and fees for Non-Executive Directors' are presently $15,000 per annum (2008: $15,000). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

REMUNERATION REPORT – AUDITED (Continued)

General

In addition to a focus on operating activities, the Board is also focused on finding and completing new business and other corporate opportunities. The Board considers that the prospects of the Company and resulting impact on shareholder wealth will be enhanced by this approach. Accordingly, the Board may pay a bonus or issue securities to Key Management Personnel based on their success in generating suitable new business or other corporate opportunities. A bonus may be paid or an issue of securities may also be made upon the successful completion of a new business or corporate transaction. No bonus was paid during the current financial year.

Where required, Key Management Personnel receive superannuation contributions, currently equal to 9% of their salary, and do not receive any other retirement benefit. From time to time, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Key Management Personnel is valued at cost to the company and expensed. Incentive options are valued using the Binomial option valuation methodology. The value of these incentive options is expensed over the vesting period.

Remuneration of Key Management Personnel

Details of the nature and amount of each element of the remuneration of each director of the Company for the year ended 30 June 2009 are as follows (other than directors, there were no other key management personnel employed by the Group during the 2009 or 2008 financial years):

	Short-term		Post-employment	Share based Payments	Total	Performance Related
	Salary & Fees	Other [3]	Super-annuation benefits	Value of Unlisted Options		
2009 Directors	$	$	$	$	$	%
Mr Ian Middlemas (Chairman)	36,000	-	-	-	36,000	-
Mr David Cruse (Non-Executive Director)	11,096	-	-	-	11,096 [1]	-
Mr Mark Pearce (Finance Director)	20,000	-	-	-	20,000	-
Mr Mark O'Clery (Managing Director)	-	35,250	-	-	35,250 [2]	-
Total Remuneration – Directors	**67,096**	**35,250**	**-**	**-**	**102,346**	**-**

REMUNERATION REPORT – AUDITED (Continued)

Remuneration of Key Management Personnel (Continued)

	Short-term		Post-employment	Share based Payments	Total	Performance Related
	Salary & Fees	Other [3]	Super-annuation benefits	Value of Unlisted Options		
2008 Directors	$	$	$	$	$	%
Mr Ian Middlemas (Chairman)	36,000	-	-	-	36,000	-
Mr Mark O'Clery (Managing Director)	-	242,062	-	-	242,062	-
Mr Mark Pearce (Finance Director)	30,000	-	-	-	30,000	-
Total Remuneration – Directors	**66,000**	**242,062**	**-**	**-**	**308,062**	**-**

Notes:
[1] Mr Cruse was appointed Director on 3 October 2008.
[2] Mr O'Clery resigned as Director on 3 October 2008.
[3] This relates to consulting fees paid to Mark O'Clery during the period in the capacity as a contractor to the Company.
[4] During the year, no remuneration was paid in the form of a long-term incentive bonus, non-monetary benefit, prescribed benefit or other benefit to key management personnel.

Options Granted to Key Management Personnel

Details of options granted to each Key Management Personnel of the Company or Group during the financial year are as follows:

2009

No options were granted as part of their remuneration to key management personnel during the 2009 financial year.

2008

No options were granted as part of their remuneration to key management personnel during the 2008 financial year.

Details of the value of options granted, exercised or lapsed for each Key Management Personnel of the Company or Group during the financial year are as follows:

2009	Value of Options Granted During the Year $	Value of Options Exercised During the Year $	Value of Options Lapsed During the Year [1, 2] $	Total Value of Options Granted, Exercised and Lapsed $	Value of Options Included in Remuneration for the Year $	Percentage of Remuneration for the Year that Consists of Options %
Directors						
Mark Pearce [1]	-	-	-	-	-	-
Mark O'Clery [1, 2]	-	-	-	-	-	-

Notes:
[1] 850,000 unlisted options exercisable at $0.60 expired on 30 June 2009.
[2] 300,000 unlisted options exercisable at $0.20 expired on 31 December 2008.

REMUNERATION REPORT – AUDITED (Continued)

Options Granted to Key Management Personnel (Continued)

2008

No options were granted, exercised or lapsed for any key management personnel during the 2008 financial year.

Employment Contracts with Key Management Personnel

No employment contracts have been entered into with any directors or executives of the Company.

Mr Pearce is a director and beneficial shareholder of Apollo Group Pty Ltd, which provided a fully serviced office, administration services (including company secretarial) and other services for a fixed monthly retainer of $12,500 for the year ended 30 June 2009 (2008: $15,000). This arrangement is able to be terminated by one month's notice by either party.

This is the end of the audited Remuneration Report.

INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer.

The audit engagement letter signed with the auditor of the Company and Group, BDO Kendalls Audit & Assurance (WA) Pty Ltd requires the Company, to the extent permitted by law, to indemnify the auditor for any liability caused as such auditor and any legal costs incurred by the auditor in defending an action for any liability caused as such auditor.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During or since the end of the financial year, the Company or Group has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by a person who is or has been a director, officer or auditor of the Company or Group.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditor (or by another person or firm on the auditor's behalf) during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on page 14 of the Annual Financial Report and forms part of this report.

This report is made in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Directors

MARK PEARCE
Director

Perth, 29 September 2009

BDO Kendalls

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29 September 2009

Odyssey Energy Limited
Level 9, The BGC Centre
28 The Esplanade
PERTH WA 6000

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD McVEIGH TO THE DIRECTORS OF ODYSSEY ENERGY LIMITED

As lead auditor of Odyssey Energy 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 Odyssey Energy Limited and the entities it controlled during the period.

B. McVeigh

BG McVeigh
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Continuing Operations					
Revenue	2(a)	**1,172**	**61,408**	**1,172**	**61,408**
Administration costs		(323,322)	(336,469)	(312,628)	(336,469)
Business development costs		(2,635)	(43,457)	(2,635)	(43,457)
Exploration costs		(45,381)	(92,212)	(35,250)	(92,212)
Finance costs	2(b)	(306,109)	(254,241)	(306,109)	(254,241)
Loss on sale of subsidiary		-	-	(2,148,002)	-
Impairment losses	2(e)	(11,101,528)	-	(11,025,359)	-
Reversal of impairment of assets	2(f)	-	-	-	100,000
Loss before income tax expense		**(11,777,803)**	**(664,971)**	**(13,828,811)**	**(564,971)**
Income tax expense	3	-	-	-	-
Loss from continuing operations		**(11,777,803)**	**(664,971)**	**(13,828,811)**	**(564,971)**
Discontinued Operation					
Profit(loss) from discontinued operation, net of income tax	15	(1,975,882)	(57,242)	-	-
Loss for the year		**(13,753,685)**	**(722,213)**	**(13,828,811)**	**(564,971)**
Net loss attributable to members of Odyssey Energy Limited		**(13,753,685)**	**(722,213)**	**(13,828,811)**	**(564,971)**
Loss per share					
Basic loss per share (cents per share)	23	(23.65)	(1.33)		
Diluted loss per share (cents per share)	23	(23.65)	(1.33)		
Continuing operations					
Basic loss per share (cents per share)	23	(20.25)	(1.22)		
Diluted loss per share (cents per share)	23	(20.25)	(1.22)		

The Income Statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current Assets					
Cash and cash equivalents	24(b)	31,094	56,906	31,094	8,291
Trade and other receivables	4	22,670	20,430	22,670	20,430
Assets classified as held for sale	5	-	16,011,481	-	19,406,187
Total Current Assets		53,764	16,088,817	53,764	19,434,908
Non-current Assets					
Property, plant and equipment	6	2,328	3,799	2,328	3,799
Available-for-sale financial assets	8	6,875,000	-	6,875,000	-
Other financial assets	7	-	-	-	345,219
Exploration expenditure	9	-	342,814	-	-
Oil and gas properties	10	-	-	-	-
Total Non-current Assets		6,877,328	346,613	6,877,328	349,018
TOTAL ASSETS		**6,931,092**	**16,435,430**	**6,931,092**	**19,783,926**
Current Liabilities					
Trade and other payables	11	850,015	161,553	847,530	161,553
Borrowings	12	640,000	350,000	640,000	350,000
Liabilities classified as held for sale	5	-	355,974	-	-
Total Current Liabilities		1,490,015	867,527	1,487,530	511,553
Non-current Liabilities					
Borrowings	13	2,824,900	2,824,900	2,824,900	2,824,900
Total Non-current Liabilities		2,824,900	2,824,900	2,824,900	2,824,900
TOTAL LIABILITIES		**4,314,915**	**3,692,427**	**4,312,430**	**3,336,453**
NET ASSETS		**2,616,177**	**12,743,003**	**2,618,662**	**16,447,473**
EQUITY					
Contributed equity	14(a)	18,260,159	18,260,159	18,260,159	18,260,159
Reserves	14(c)	445,209	(2,891,045)	350,700	641,305
Accumulated losses		(16,089,191)	(2,626,111)	(15,992,197)	(2,453,991)
TOTAL EQUITY		**2,616,177**	**12,743,003**	**2,618,662**	**16,447,473**

The Balance Sheets should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cash flows from operating activities					
Interest received		1,187	63,760	1,172	61,408
Payments to suppliers and employees		(262,035)	(485,196)	(219,373)	(510,568)
Receipts from customers		347,650	242,285	-	-
Refunds of GST received		34,954	70,827	34,954	70,827
Interest paid		(254,241)	(190,681)	(254,241)	(190,681)
Net cash outflow from operating activities	24(a)	**(132,485)**	**(299,005)**	**(437,488)**	**(569,014)**
Cash flows from investing activities					
Repayments from/(loans to) controlled entities		-	-	226,305	(4,359,218)
Investment – Transaction costs on sale of OEL		(46,377)	-	(46,377)	-
Investment in subsidiary		-	-	(9,637)	(345,219)
Exploration expenditure		(136,308)	(4,976,192)	-	-
Net cash inflow/(outflow) from investing activities		**(182,685)**	**(4,976,192)**	**170,291**	**(4,704,437)**
Cash flows from financing activities					
Proceeds from issue of shares		-	4,000,000	-	4,000,000
Proceeds from borrowings		290,000	350,000	290,000	350,000
Transaction costs from issue of shares		-	(227,774)	-	(227,774)
Net cash inflow from financing activities		**290,000**	**4,122,226**	**290,000**	**4,122,226**
Net increase/(decrease) in cash and cash equivalents held		**(25,170)**	**(1,152,971)**	**22,803**	**(1,151,225)**
Net foreign exchange differences		**(642)**	**(6,553)**	**-**	**-**
Cash and cash equivalents at the beginning of the financial year		**56,906**	**1,216,430**	**8,291**	**1,159,516**
Cash and cash equivalents at the end of the financial year	24(b)	**31,094**	**56,906**	**31,094**	**8,291**

The Cash Flow Statements should be read in conjunction with the accompanying notes.

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

Consolidated	Attributable to equity holders of the parent				Total equity
	Issued Capital $	Currency Translation Reserve $	Option Premium Reserve $	Accumulated Losses $	$
As at 1 July 2007	**14,387,833**	**(1,670,191)**	**641,305**	**(1,903,898)**	**11,455,049**
Net movement in currency translation reserve	-	(1,862,159)	-	-	(1,862,159)
Net income and expense recognised directly in equity	**-**	**(1,862,159)**	**-**	**-**	**(1,862,159)**
Net loss for the year	-	-	-	(722,213)	(722,213)
Total recognised income and expenditure for the year attributable to members of Odyssey Energy Limited	**-**	**(1,862,159)**	**-**	**(722,213)**	**(2,584,372)**
Transactions with equity holders in their capacity as equity holders:					
Issue of shares	4,100,100	-	-	-	4,100,100
Share issue costs	(227,774)	-	-	-	(227,774)
As at 30 June 2008	**18,260,159**	**(3,532,350)**	**641,305**	**(2,626,111)**	**12,743,003**
Net movement in currency translation reserve	-	3,626,859	-	-	3,626,859
Net income and expense recognised directly in equity	**-**	**3,626,859**	**-**	**-**	**3,626,859**
Net loss for the year	-	-	-	(13,753,685)	(13,753,685)
Total recognised income and expenditure for the year attributable to members of Odyssey Energy Limited	**-**	**3,626,859**	**-**	**(13,753,685)**	**(10,126,826)**
Transactions with equity holders in their capacity as equity holders:					
Expired vested options	-	-	(290,605)	290,605	-
As at 30 June 2009	**18,260,159**	**94,509**	**350,700**	**(16,089,191)**	**2,616,177**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009
(Continued)

Company	Attributable to equity holders of the parent			Total equity
	Issued Capital $	Option Premium Reserve $	Accumulated Losses $	$
As at 1 July 2007	**14,387,833**	**641,305**	**(1,889,020)**	**13,140,118**
Net loss for the year	-	-	(564,971)	(564,971)
Total recognised income and expenditure for the year attributable to members of Odyssey Energy Limited	**-**	**-**	**(564,971)**	**(564,971)**
Transactions with equity holders in their capacity as equity holders:				
Issue of shares	4,100,100	-	-	4,100,100
Share issue costs	(227,774)	-	-	(227,774)
As at 30 June 2008	**18,260,159**	**641,305**	**(2,453,991)**	**16,447,473**
Net loss for the year	-	-	(13,828,811)	(13,828,811)
Total recognised income and expenditure for the year attributable to members of Odyssey Energy Limited	**-**	**-**	**(13,828,811)**	**(13,828,811)**
Transactions with equity holders in their capacity as equity holders:				
Expired vested options	-	(290,605)	290,605	-
As at 30 June 2009	**18,260,159**	**350,700**	**(15,992,197)**	**2,618,662**

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Odyssey Energy Limited and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2009 are stated to assist in a general understanding of the financial report.

Odyssey Energy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial report of the Company for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 29 September 2009.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") and interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

In the application of A-IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements or in Note 1(ac).

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial report has also been prepared on a historical cost basis, except for other financial assets at fair value through profit or loss and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures the financial report also complies with International Financial Reporting Standards (IFRS).

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2009. These are outlined in the table over:

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'.	Applies prospectively to transfers of assets from customers received on or after 1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. In addition, the amendments may have an impact on the Company's segment disclosures.	1 July 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 Operating Segments. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 Presentation of Financial Statements.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 123 (revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards.	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Company has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 101 (revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassification of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report as the Company does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 3 (revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report as the Company does not currently account for any business combinations.	1 July 2009
AASB 127 (revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB 3 (revised) and AASB 127 (revised) above.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the "cost method" and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: • quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); • inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and • inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.	1 January 2010	These amendments are not expected to have any impact on the Company's financial report.	1 July 2010
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: • the scope of AASB 2; and the interaction between IFRS 2 and other standards.	1 January 2010	These amendments are not expected to have any impact on the Company's financial report as the Company does not have any cash-settled share based payment transactions.	1 July 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Odyssey Energy Limited ("Company" or "Parent Entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Odyssey Energy Limited and its subsidiaries together are referred to as the Consolidated Entity or Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and potential effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Entity, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the Company.

(d) Segment Reporting

A business segment is a distinguishable component of an entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Foreign Currency Translation

Both the functional and presentation currency of the Parent Entity at 30 June 2009 was Australian Dollars.

The following table sets out the functional currency of the companies controlled by the Parent Entity during the year:

Company Name	Functional Currency
OEL E&P (USA), Inc	United States Dollars
OEL Operating (USA) Inc	United States Dollars

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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 exchange differences in the consolidated financial report are taken to the income statement with the exception of differences in 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 tax credits attributable to exchange differences on those borrowings are also recognised in equity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign Currency Translation (Continued)

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 that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Where the functional currency of a subsidiary of the Parent Entity is not Australian Dollars the assets and liabilities of the subsidiary at reporting date are translated into the presentation currency of the Parent Entity at the rate of exchange ruling at the balance sheet date and the income statements are translated by applying the monthly average exchange rate.

Any exchange differences arising on this retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity and relating to that particular foreign operation is recognised in the Income Statement.

(f) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest

Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying value amount of the financial asset.

(g) Income Tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income Tax (Continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

The Parent Entity and its wholly owned Australian controlled entities (if any) have not implemented the tax consolidation legislation.

(h) Business Combinations

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The cost of a business combination is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the business combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of Assets (Continued)

In assessing the 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.

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. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Cash and Cash Equivalents

“Cash and cash equivalents” includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined.

(k) Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently carried at amortised cost less an allowance for any uncollectible amounts. Trade receivables are due for settlement no more than 30 days from the date of recognition. 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.

Impairment

If there is objective evidence that an impairment loss on trade and other receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

(l) Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either loans and receivables, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, directly attributable transaction 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.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Assets (Continued)

(i) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments available-for-sale reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the income statement as gains and losses. Reversals of previous impairments of available-for-sale assets are not recognised through profit and loss.

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

(m) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Property, Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

	Life
Plant and equipment	2 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost and represent liabilities for the goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days.

(p) Employee Leave Benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to the defined contribution superannuation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(q) Contributed Equity

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

(s) Earnings per Share (EPS)

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Exploration and Evaluation Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 Exploration for and Evaluation of Mineral Resources, which is the Australian equivalent of IFRS 6.

Exploration licence acquisition costs are capitalised and subject to impairment testing every six months. All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are expensed as incurred except where:

- the expenditure relates to an exploration discovery that, at balance date, has not been recognised as an area of interest, as assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or

- an area of interest is recognised, and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons and the recognition of an area of interest. Areas of interest are recognised at the field level. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are capitalised.

Each potential or recognised area of interest is reviewed every six months to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Data licenses acquired are carried initially at cost and are amortised on a straight line basis over the number of wells in the drilling program to which the acquisition related. Where a determination is made that there is no further value to be extracted from the data licenses then any unamortised balance is written off.

Once management has determined the existence of economically recoverable reserves for an area of interest, deferred costs are reclassified from exploration and evaluation expenditure to oil and gas properties on the balance sheet.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Oil and Gas Properties

Oil and gas properties are carried at cost and include acquisition costs, drilling, completion, operating costs and transferred exploration and evaluation expenditure.

Oil and gas properties are amortised using a units-of-production method, based on the ratio of actual production to remaining proved and probable reserves (2P) as estimated by independent petroleum engineers.

The recoverability of the carrying amount of the oil and gas property is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(v) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when 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.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Share Based Payments

Equity settled transactions

The Group provides benefits to Directors, employees, consultants and other advisors of the Group in the form of share-based payments, whereby the Directors, employees, consultants and other advisors render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of the Company if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipient becomes fully entitled to the award (the vesting period).

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 Group's best estimate of the number of equity instruments that will ultimately vest. 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. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Share Based Payments (Continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If 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 modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If 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.

(x) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(y) Convertible Notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest method.

(z) Non-current Assets held for Sale and Discontinued Operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(ab) Going Concern

As announced to the market on 24 June 2008, the Company entered into a Share Sale Agreement to sell to Marion Energy Limited all of its shares in its wholly owned subsidiary OEL Operating (USA) Inc, in consideration for 27,500,000 Marion Shares. This was subject to shareholder approval which was received on 12 August 2008 and the sale settled on 4 September 2008.

As a result of the sale and a review of its operations and expenditure commitments, the Company's working capital requirements going forward have been substantially reduced. The Company has also arranged for debt facilities totalling $1,000,000 (currently drawn down to $640,000) to fund the Company's short term working capital requirements.

The Board will examine a number of funding alternatives, which may include further capital raisings or additional debt facilities, however the timing and extent of the funding requirements will be impacted by the outcome of Marion's announced sale or merger of the Company and/or its assets.

The directors have reasonable expectations that they can raise or realise additional cash resources, due to:

- the substantial decrease in working capital requirements going forward following the sale of OEL to Marion; and

- the ability to sell the Company's investments on market should the need arise to generate additional cash resources.

Accordingly, the Directors have prepared the financials on a going concern basis. As such, the financial statements do not include any adjustments as to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

(ac) Critical Accounting Estimates, Assumptions and Judgements

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined on the next page.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ac) Critical Accounting Estimates, Assumptions and Judgements (Continued)

(i) Critical accounting estimates and assumptions

(A) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows.

For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. The carrying value of oil and gas properties, exploration and evaluation and other plant and equipment as at 30 June 2009 is $nil (this excludes the assets classified as held for sale) (2008: $346,613).

In relation to the Company's investment in Marion Energy Limited, which is classified as an available for sale financial asset, an impairment loss of $10,656,250 (2008: $nil) was recognised as an expense in the Income Statement rather than being recognised directly in equity, due to the substantial deterioration in capital markets worldwide.

(B) Reserve estimates

Estimates of recoverable quantities of proven and probable reserves reported include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory.

(ii) Critical judgements in applying the Group's accounting policies

(A) Exploration and evaluation

The group's accounting policy for exploration and evaluation assets is set out at Note 1(t). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement. All exploration and evaluation expenditure has been impaired because of the substantial decline in the gas price in the USA impacting on the projects viability.

(B) United States of America tax losses

The Group has not recognised a deferred tax asset of $1,781,265 as at 30 June 2008 in respect of tax losses and temporary differences associated with its operations in the US. In accordance with the recognition criteria outlined in AASB 112 Income Taxes, the Group has exercised its judgement in deciding that it is not probable that sufficient future taxable income will be available to utilise the tax losses. The entity that recorded these tax losses was sold in September 2008, therefore there are no material tax losses in USA available to the Group as at 30 June 2009.

(C) Available for Sale Financial Assets

The Directors have sought advice regarding the fair value of the Company's investment in Marion Energy Limited. Based on that advice, the Board has determined the fair value at the date of settlement to be $17,531,250 (see Note 24(e)). The net fair value of the Company's investment in Marion Energy has been determined using a valuation technique, with reference to the market price of Marion's shares discounted by 15% due to the escrow of the shares. As the escrow on the shares ceased on 4 June 2009, no discount for escrow was applied at 30 June 2009.

	Consolidated						Company	
			Discontinued Operation					
	Continuing Operations		(see note 15)		Total			
	2009	2008	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$	$	$
2. REVENUE AND EXPENSES								
(a) Revenue								
Income from production	-	-	171,459	278,072	171,459	278,072	-	-
Interest revenue	1,172	61,408	15	2,352	1,187	63,760	1,172	61,408
Other income	-	-	-	867	-	867	-	-
	1,172	**61,408**	**171,474**	**281,291**	**172,646**	**342,699**	**1,172**	**61,408**
(b) Finance Costs								
Interest expense on convertible notes	(254,241)	(254,241)	-	-	(254,241)	(254,241)	(254,241)	(254,241)
Interest expense on borrowings	(51,868)	-	-	-	(51,868)	-	(51,868)	-
	(306,109)	**(254,241)**	**-**	**-**	**(306,109)**	**(254,241)**	**(306,109)**	**(254,241)**
(c) Employee Expenses								
Directors remuneration	77,096	308,062	-	-	77,096	308,062	77,096	308,062
(d) Depreciation and Amortisation Expense								
Depreciation of plant and equipment	(1,471)	(3,748)	-	(3,851)	(1,471)	(7,599)	(1,471)	(3,748)
Amortisation of oil and gas properties	-	-	-	(11,058)	-	(11,058)	-	-
	(1,471)	**(3,748)**	**-**	**(14,909)**	**(1,471)**	**(18,657)**	**(1,471)**	**(3,748)**
(e) Impairment of assets								
Investment in subsidiary (note 7)	-	-	-	-	-	-	(354,856)	-
Provision for impairment of exploration expenditure (note 9)	(445,278)	-	-	-	(445,278)	-	-	-
Impairment of available for sale assets (note 8)	(10,656,250)	-	-	-	(10,656,250)	-	(10,656,250)	-
Foreign currency differences	-	-	-	-	-	-	(14,253)	-
	(11,101,528)	**-**	**-**	**-**	**(11,101,528)**	**-**	**(11,025,359)**	**-**

(f) Reversal of Impairment Loss

The impairment loss of $100,000 recorded in relation to a loan to a controlled entity in the 2006 financial year was reversed in the 2008 financial year due to the subsidiary OEL Operating (USA) Inc, being held for sale.

3. INCOME TAX

(a) Recognised in the Income Statement

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Current income tax				
Current income tax benefit	(202,819)	(238,988)	(190,133)	(195,133)
Adjustments in respect of current income tax of previous years	-	755,235	30,000	209,003
Deferred income tax				
Origination and reversal of temporary differences	(6,945,491)	(433,738)	(5,375,500)	38,244
Tax losses attributable to subsidiary sold	1,524,756	-	-	-
Deferred tax assets not previously brought to account	-	(82,509)	-	-
Deferred tax assets not brought to account	5,623,554	-	5,535,633	(52,114)
	-	**-**	**-**	**-**

(b) Reconciliation Between Tax Expense and Accounting Loss Before Income Tax

Accounting loss before income tax	(13,753,686)	(722,213)	(13,828,811)	(564,971)
At the domestic income tax rate of 30% (2008: 30%)	(4,126,106)	(216,664)	(4,148,643)	(169,492)
Expenditure not allowable for income tax purposes	2,343	12,603	5,235	12,603
Loss on sale of subsidiary not deductible for income tax purposes	634,199	-	644,400	-
Income not assessable for income tax purposes	(67,365)		-	
Foreign exchange translation adjustment	-	(468,665)	-	-
Adjustments in respect of current income tax of previous years	-	755,235	30,000	209,003
Effect of valuation of CGT assets for tax purposes	(2,066,625)	-	(2,066,625)	-
Deferred tax assets not previously brought to account	-	(82,509)	-	-
Deferred tax assets not brought to account	5,623,554	-	5,535,633	(52,114)
Income tax expense reported in the income statement	**-**	**-**	**-**	**-**

	Consolidated		Company	
	2009	2008	2009	2008
	%	%	%	%
Effective Tax Rate	**0**	**0**	**0**	**0**

3. INCOME TAX (Continued)

(c) Deferred Income Tax

Deferred income tax at balance date relates to the following:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Deferred Tax Liabilities				
Exploration and evaluation assets	-	1,781,265	-	-
Deferred Tax Assets used to offset Deferred Tax Liabilities	-	(1,781,265)	-	-
	-	**-**	**-**	**-**
Deferred Tax Assets				
Available-for-sale financial assets	5,263,500	-	5,263,500	-
Other financial assets	-	-	103,565	-
Exploration and evaluation assets	122,869	-	-	-
Accrued expenditure	30,779	13,350	30,779	13,350
Borrowing costs	8,994	17,988	8,994	17,988
Depreciable assets	-	230,578	-	-
Tax losses available to offset against future taxable income	563,526	1,885,463	550,840	390,707
Deferred tax assets used to offset deferred tax liabilities	-	(1,781,265)	-	-
Deferred tax assets not brought to account	(5,989,668)	(366,114)	(5,957,678)	(422,045)
	-	**-**	**-**	**-**

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

(d) Tax Consolidation

There are currently no entities eligible for consolidation for tax purposes. The Board will review this position should this change.

4. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

GST receivable	22,670	20,430	22,670	20,430
Total trade and other receivables, net of trade and other receivables classified as held for sale	**22,670**	**20,430**	**22,670**	**20,430**

5. ASSETS HELD FOR SALE

On 24 June 2008 the Company entered into a Share Sale Agreement to sell to Marion all of its shares in its wholly owned subsidiary OEL Operating (USA) Inc. The consideration for the sale and purchase is the issue of 27,500,000 Marion Shares (escrowed for 9 months after settlement). Completion of the agreement occurred on 4 September 2008. Details of the sale are included at note 24 (e).

At 30 June 2008 the disposal group comprised assets of $16,011,481 less liabilities of $355,974.

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Assets classified as held for sale					
Property, plant and equipment	6	-	20,341	-	-
Exploration expenditure	9	-	12,095,125	-	-
Oil and gas properties	10	-	3,799,759	-	-
Trade and other receivables		-	96,256	-	-
Investment in subsidiary		-	-	-	19,406,187
		-	**16,011,481**	**-**	**19,406,187**
Liabilities classified as held for sale					
Trade and other payables		-	355,974	-	-
		-	**355,974**	**-**	**-**

6. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT

(a) Office Furniture and Equipment

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cost		11,921	11,921	11,921	11,921
Accumulated depreciation		(9,593)	(8,122)	(9,593)	(8,122)
Net carrying amount		**2,328**	**3,799**	**2,328**	**3,799**

(b) Reconciliation

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Carrying amount at beginning of period, net of accumulated depreciation		3,799	34,656	3,799	7,547
Foreign exchange gain/(loss)		-	(2,917)	-	-
Depreciation charge for the period		(1,471)	(7,599)	(1,471)	(3,748)
Transfer to assets held for sale	5	-	(20,341)	-	-
Carrying amount at end of period, net of accumulated depreciation and impairment and property, plant and equipment classified as held for sale		**2,328**	**3,799**	**2,328**	**3,799**

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
7. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS					
Investment in Subsidiary, net of investment in subsidiary transferred to held for sale		-	-	354,856	345,221
Impairment	2(e)	-	-	(354,856)	(2)
Balance at end of year		**-**	**-**	**-**	**345,219**

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
8. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS					
Shares in listed company	(a)	17,531,250	-	17,531,250	-
Less impairment in value		(10,656,250)	-	(10,656,250)	-
		6,875,000	**-**	**6,875,000**	**-**

(a) The Company holds 27.5 million MAE shares, which are listed on the ASX.

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
9. NON-CURRENT ASSETS – EXPLORATION EXPENDITURE					
The Group had oil and gas exploration costs carried forward in respect of the following areas of interest:					
Areas of interest					
McClain County Prospect		-	342,814	-	-
		-	**342,814**	**-**	**-**
Reconciliation					
Balance at the beginning of year		342,814	15,050,168	-	-
Acquisition of interests in new oil and gas leases		-	450,116	-	-
Other amounts capitalised		-	2,310,687	-	-
Currency translation difference		102,464	(1,562,215)	-	-
Transfer to assets classified as held for sale	5	-	(12,095,125)	-	-
Transfer to oil & gas properties	10	-	(3,810,817)	-	-
Impairment	2(e)	(445,278)	-	-	-
Balance at end of year		**-**	**342,814**	**-**	**-**

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

Following a prolonged downturn in gas prices in the USA, the board agreed to impair the exploration assets.

		Consolidated		Company	
	Note	2009	2008	2009	2008
		$	$	$	$
10. NON-CURRENT ASSETS – OIL & GAS PROPERTIES					
Areas of interest					
Jester-Bloomington Gas Redevelopment Project		-	-	-	-
Reconciliation					
Balance at the beginning of year		-	-	-	-
Transfer from Exploration asset[a]	9	-	3,810,817	-	-
Amortisation		-	(11,058)	-	-
Transfer to assets classified as held for sale[b]	5	-	(3,799,759)	-	-
Balance at end of year		-	-	-	-

(a) On 14 February 2008, the Company announced a significant production increase at the Jester-Bloomington Project, including the establishment of the first commercial oil production from the project. Effective from this date, the Jester-Bloomington Project has been re-classified from an Exploration and Evaluation asset to Oil and Gas Properties.

(b) On 24 June 2008 the Company announced it had entered into a Share Sale Agreement to sell to Marion all of its shares in its wholly owned subsidiary OEL Operating (USA) Inc, which holds the interest in the North Helper Gas and Jester-Bloomington Gas Redevelopment Projects. Effective from this date, the oil and gas properties balance has been transferred to assets classified as held for sale.

11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES					
Accounts Payable[a]		695,551	117,053	693,066	117,053
Accruals		154,464	44,500	154,464	44,500
Total trade and other payables net of trade and other payables classified as held for sale		**850,015**	**161,553**	**847,530**	**161,553**

(a) Terms & Conditions
Trade creditors are non interest bearing and are normally settled on 30 days terms.

12. CURRENT LIABILITIES – BORROWINGS					
Loan from unrelated party[a]		**640,000**	**350,000**	**640,000**	**350,000**

(a) Terms & Conditions
Loan is unsecured, repayable on 31 October 2010 and incurs interest at a rate of 10% per annum.

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
13. NON-CURRENT LIABILITIES – BORROWINGS					
Convertible Notes – Unsecured[(a)]		**2,824,900**	**2,824,900**	**2,824,900**	**2,824,900**

(a) Reconciliation of Movements in Convertible Notes for Years Ended 30 June 2009 and 30 June 2008 were as follows:

Date	Details	Number of Convertible Notes	$
1 July 2007	**Opening Balance**	**4,500,000**	**2,925,000**
17 July 2007	Converted to Ordinary Shares	(154,000)	(100,100)
30 June 2008	**Closing Balance**	**4,346,000**	**2,824,900**
30 June 2009	**Closing Balance**	**4,346,000**	**2,824,900**

(b) Terms & Conditions of Convertible Notes

On 23 March 2006, the Company issued 4,500,000 Convertible Notes each with a face value of $0.65. On 17 July 2007, 154,000 Convertible Notes were converted into ordinary shares. Other key terms and conditions are:

- the notes are unsecured;
- coupon rate of 9%, payable 3 monthly in arrears, with shares able to be issued in lieu of cash payments of interest at the option of the Company;
- redeemable by the Company after 2 ½ years from date of issue;
- convertible into ordinary shares on a one for one basis any time after 4 December 2006; and
- repayable after 5 years.

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
14. CONTRIBUTED EQUITY AND RESERVES				
(a) Issued and paid up capital				
58,154,002 (2008 : 58,154,002) fully paid ordinary shares	**18,260,159**	**18,260,159**	**18,260,159**	**18,260,159**

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent Entity does not have authorised capital nor par value in respect of its issued shares.

14. CONTRIBUTED EQUITY AND RESERVES (Continued)

(b) Movements in Ordinary Share Capital for Years Ended 30 June 2009 and 30 June 2008 were as follows:

Date	Details	Number of Shares	Issue Price	$
1 July 2007	**Opening Balance**	**48,000,002**		**14,387,833**
17 July 2007	Conversion of convertible notes	154,000	0.65	100,100
	Share issue costs			(1,320)
14 November 2007	Share placement	10,000,000	0.40	4,000,000
	Share issue costs			(226,454)
30 June 2008	**Closing Balance**	**58,154,002**		**18,260,159**
30 June 2009	**Closing Balance**	**58,154,002**		**18,260,159**

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
(c) Reserves				
Share based payment reserve (Note 14 (d) & (f))				
- 300,000 $0.20 options	-	30,420	-	30,420
- 850,000 $0.60 options	-	260,185	-	260,185
- 1,400,000 $1.00 options	350,700	350,700	350,700	350,700
Foreign currency translation reserve (Note 14(e) & (f))	94,509	(3,532,350)	-	-
	445,209	**(2,891,045)**	**350,700**	**641,305**

14. CONTRIBUTED EQUITY AND RESERVES (Continued)

(d) Movements in the Share Based Payment Reserve for Years Ended 30 June 2009 and 30 June 2008 were as follows:

Date	Details	Number of Options	$
1 July 2007	**Opening Balance**	**2,550,000**	**641,305**
30 June 2008	**Closing Balance**	**2,550,000**	**641,305**
31 Dec 2008	Expiry of $0.20 unlisted options	(300,000)	(30,420)
30 June 2009	Expiry of $0.60 unlisted options	(850,000)	(260,185)
30 June 2009	**Closing Balance**	**1,400,000**	**350,700**

(e) Movements in the Foreign Currency Translation Reserve for Years ended 30 June 2009 and 30 June 2008 were as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Balance at the beginning of year	(3,532,350)	(1,670,191)	-	-
Foreign currency translation – continuing operations	96,915	(1,862,159)	-	-
Foreign currency translation – discontinuing operations	2,504,211	-	-	-
Transfer to Income Statement of foreign currency translation realised on deconsolidation	1,025,733	-	-	-
Balance at end of year	**94,509**	**(3,532,350)**	**-**	**-**

(f) Nature and Purpose of Reserves

(i) Share Based Payment Reserve

The option premium reserve is used to record the fair value of share based payments made by the Company which have not been exercised.

(ii) Foreign Currency Translation Reserve

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

(iii) Investments Available For Sale Reserve

Changes in the fair value and exchange differences arising on translation of investments classified as available-for-sale financial assets are taken to the investments available for sale reserve as described in Note 1(l). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

14. CONTRIBUTED EQUITY AND RESERVES (Continued)

(g) Rights Attaching to Shares

(i) General

The ordinary shares ("Shares") are ordinary shares and rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the Shares arise from a combination of the Company's Constitution, statute and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office.

(ii) Reports and Notices

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

(iii) Voting

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the Chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(iv) Variation of Shares and Rights Attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

(v) Unmarketable Parcels

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than $500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

(vi) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

14. CONTRIBUTED EQUITY AND RESERVES (Continued)

(h) Terms and Conditions of Unlisted Options

The Unlisted Options are granted based upon the following terms and conditions:

- each Unlisted Option entitles the holder to subscribe for one Share upon exercise of each Unlisted Option;
- the Unlisted Options have exercise prices and expiry dates as follows:
  - $0.20 Unlisted Options expired on 31 December 2008
  - $0.60 Unlisted Options expired on 30 June 2009
  - $1.00 Unlisted Options expire 31 December 2009
- the Unlisted Options are exercisable at any time prior to the Expiry Date;
- shares issued on exercise of the Unlisted Options rank equally with the then shares of the Company;
- application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Unlisted Options;
- if there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- no application for quotation of the Unlisted Options will be made by the Company;
- subject to the proposed transferee being a party which is within the class of parties in section 708 of the Corporations Act to which disclosure is not required, the Unlisted Options are transferable; and
- refer to additional information in Note 28.

15. DISCONTINUED OPERATION

On 24 June 2008 the Company entered into an agreement to sell two of its current projects (North Helper and Jester-Bloomington) by selling one of its wholly owned US subsidiaries OEL Operating (USA) Inc to Marion Energy Limited. The sale was completed on 4 September 2008.

		Consolidated	
	Notes	2009	2008
		$	$
Results of discontinued operation			
Revenue	2(a)	171,474	281,291
Expenses		(33,360)	(338,533)
Results from operating activities		138,114	(57,242)
Income tax expense		-	-
Results from operating activities, net of income tax		138,114	(57,242)
Loss on sale of discontinued operation	24(e)	(2,113,996)	-
Profit (loss) from discontinued operation net of income tax		**(1,975,882)**	**(57,242)**
Cash flows from (used in) discontinued operation			
Net cash from (used in) operating activities		286,414	270,009
Net cash used in investing activities		(136,308)	(4,631,744)
Net cash used in financing activities		-	-
Net cash from (used in) discontinued operation		**150,106**	**(4,361,735)**

16. FRANKING ACCOUNT

In respect to the payment of dividends (if any) by the Company in subsequent financial years, no franking credits are currently available, or are likely to become available in the next 12 months.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

The Key Management Personnel of the Group during or since the end of the financial year were as follows:

Non-Executive Directors

Mr Ian Middlemas	Non-Executive Chairman
Mr David Cruse	Non-Executive Director (appointed 3 October 2008)
Mr Mark Pearce	Non-Executive Director and Company Secretary

Executive Director

Mr Mark O'Clery	Managing Director (resigned 3 October 2008)

Unless otherwise disclosed, the KMP held their position from 1 July until the date of this report.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(b) Key Management Personnel Compensation

Company and Consolidated	2009 $	2008 $
Short-term employee benefits	102,346	308,062
Post-employment benefits	-	-
Share based payments	-	-
Total compensation	**102,346**	**308,062**

(c) Optionholdings of Key Management Personnel

2009	Held at 1 July 2008 (#)	Granted as Remuner-ation (#)	Options Exercised (#)	Net Change Other (#)	Held at 30 June 2009 (#)	Vested and exercisable at 30 June 2009 (#)
Ian Middlemas	-	-	-	-	-	-
David Cruse	-	-	-	-	-	-
Mark Pearce [1]	500,000	-	-	(250,000)	250,000	250,000
Mark O'Clery [1, 2]	1,500,000	-	-	-	1,500,000[3]	1,500,000[3]
	2,000,000	**-**	**-**	**(250,000)**	**1,750,000**	**1,750,000**

2008	Held at 1 July 2007 (#)	Granted as Compen-sation (#)	Options Exercised (#)	Net Change Other (#)	Held at 30 June 2008 (#)	Vested and exercisable at 30 June 2008 (#)
Ian Middlemas	-	-	-	-	-	-
Mark O'Clery	1,500,000	-	1,500,000	1,500,000	1,500,000	1,500,000
Mark Pearce	500,000	-	500,000	500,000	500,000	500,000
	2,000,000	**-**	**2,000,000**	**2,000,000**	**2,000,000**	**2,000,000**

Notes:
[1] 850,000 unlisted options exercisable at $0.60 expired on 30 June 2009.
[2] 300,000 unlisted options exercisable at $0.20 expired on 31 December 2008.
[3] As at date of resignation.

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(d) Shareholdings of Key Management Personnel

2009	Held at 1 July 2008	Granted	Sales	Held at 30 June 2009
Ian Middlemas	2,900,000	-	-	2,900,000
David Cruse	453,000[1]	-	-	453,000
Mark Pearce	1,016,000	-	-	1,016,000
Mark O'Clery	500,000	-	-	500,000[2]
	4,869,000	**-**	**-**	**4,869,000**

2008	Held at 1 July 2007	Granted	Sales	Held at 30 June 2008
Ian Middlemas	2,900,000	-	-	2,900,000
Mark O'Clery	500,000	-	-	500,000
Mark Pearce	1,016,000	-	-	1,016,000
	4,416,000	**-**	**-**	**4,416,000**

Notes:
[1] Held as at date of appointment.
[2] As at date of resignation.
[3] No shares were granted as compensation during the reporting period.
[4] Purchases of shares by directors were made subsequent to shareholder approval and on terms no more favourable than to other shareholders.

(e) Loans to Key Management Personnel

There were no loans made to any key management personnel during the year ended 30 June 2009 (2008: Nil).

(f) Other Transactions

Apollo Group Pty Ltd, a company of which Mr Mark Pearce is a Director and beneficial shareholder, was paid/payable $166,000 (2008: $180,000) for the provision of serviced office facilities and administration services. The amount is based on a monthly retainer due and payable in advance and is able to be terminated by either party with one month's notice. This item has been recognised as an expense in the Income Statement. The balance payable to Apollo Group Pty Ltd included in the balance sheet at 30 June 2009 is $116,500.

18. CONTROLLED ENTITIES

All controlled entities are included in the consolidated financial statements. The parent entity does not guarantee to pay the deficiency of its controlled entities in the event of a winding up of any controlled entity. The financial year-end of the controlled entities is the same as that of the parent entity.

Name of Controlled Entity	Place of Incorporation	% of Shares held 2009	% of Shares held 2008
OEL Operating (USA), Inc(a)	USA	-	100
OEL E&P (USA), Inc(b)	USA	100	100

The abovenamed investments in controlled entities have a carrying value at balance date of nil per Note 7:

(a) Sale completed on 4 September 2008.
(b) Incorporated on 24 June 2008.

19. RELATED PARTIES

Transactions with Related Parties in the Consolidated Group

The consolidated group consists of Odyssey Energy Limited (the ultimate parent entity in the wholly owned group) and its controlled entities (see Note 18).

Odyssey Energy Limited entered into the following transactions during the year with related parties in the wholly owned group:

(i) Entity Name

- OEL Operating (USA), Inc
- OEL E&P (USA), Inc

(ii) Transaction Type

- Loans with controlled entities are disclosed in Note 7. The amount owed at 30 June 2009 was nil (2008: nil).

  (a) Terms & Conditions:
  The loans to controlled entities were undertaken on commercial terms and conditions, except that:
  (i) there is no fixed time for repayment of loans between the parties; and
  (ii) no interest is payable on the loans.

  (b) Loan to OEL Operating (USA) Inc for the amount of $19,406,187, has been capitalised at 30 June 2008, in accordance with the treatment set out in the Share Sale Agreement. Immediately subsequent to capitalisation balance was transferred from loan to a controlled entity to investment in subsidiary.

- Remuneration of Key Management Personnel is disclosed in Note 17(b) and the Remuneration Report section of the Directors Report.
- Equity holdings of Key Management Personnel are disclosed in Notes 17(c) and 17(d).

These transactions were undertaken on commercial terms and conditions, except that:

- there was no fixed repayment of loans between the related parties; and
- no interest was payable on the loans.

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
20. REMUNERATION OF AUDITORS				
Amounts received or due and receivable by BDO Kendalls Audit & Assurance (WA) Pty Ltd for:				
• an audit or review of the financial reports of the Company	23,988	20,821	23,988	20,821
• other services in relation to the Company	-	-	-	-
Total Auditor's Remuneration	**23,988**	**20,821**	**23,988**	**20,821**

21. EMPLOYEE BENEFITS

	2009	2008
The number of full time equivalent people employed by the Consolidated Entity at balance date	-	1

22. SEGMENT INFORMATION

The Group operates in one segment, being the energy sector in the United States of America.

	Consolidated	
	2009 cents	2008 cents
23. EARNINGS PER SHARE		
(a) Basic Profit/(Loss) per Share		
From continuing operations	(20.25)	(1.22)
From discontinued operations	(3.40)	(0.11)
Total basic profit/(loss) per share	**(23.65)**	**(1.33)**
(b) Diluted Profit/(Loss) per Share		
From continuing operations	(20.25)	(1.22)
From discontinued operations	(3.40)	(0.11)
Total diluted profit/(loss) per share	**(23.65)**	**(1.33)**

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	Consolidated	
	2009 $	2008 $
Net loss of the Continuing Entity before income tax expense	(11,777,803)	(664,971)
Net loss of the Discontinued Entity before income tax expense	(1,975,882)	(57,242)
Net loss used in calculating basic and diluted earnings per share	**(13,753,685)**	**(722,213)**
	Number of Shares 2009	**Number of Shares 2008**
Weighted average number of ordinary shares and potential ordinary shares used in calculating basic earnings per share	58,154,002	54,431,421
Effect of dilutive securities (see below)	-	-
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	**58,154,002**	**54,431,421**

(c) Non-dilutive Securities

As at balance date, 1,400,000 unlisted options (which represent 1,400,000 potential ordinary shares) and 4,346,000 Convertible Notes (which represent 4,346,000 potential ordinary shares) were not dilutive as they would decrease the loss per share.

(d) Conversions, Calls, Subscriptions or Issues after 30 June 2009

Nil.

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
24. CASH FLOW STATEMENT				
(a) Reconciliation of Net Loss After Income Tax Expense to Net Cash Outflow from Operating Activities				
Net loss after income tax expense	(13,753,685)	(722,213)	(13,828,811)	(564,971)
Adjustment for non-cash income and expense items				
Reversal of impairment of a loan to a controlled entity (see Note 2(f))	-	-	-	(100,000)
Impairment of investments available for sale	10,656,250	-	10,656,250	-
Impairment of controlled entity	-	-	354,856	-
Impairment of exploration asset	445,278	-	-	-
Loss on sale of discontinued operation	2,113,996	-	-	-
Loss on sale of subsidiary	-	-	2,148,002	-
Depreciation	1,471	7,599	1,471	3,748
Production expenses transferred from exploration	-	250,783	-	-
Amortisation	-	11,058	-	-
Movement in foreign exchange gain/loss related to operating assets	173,287	100,655	-	-
Changes in assets and liabilities				
Change in receivables	(2,240)	(39,094)	(2,240)	(4,487)
Change in payables	492,876	92,207	232,983	96,696
Change in assets held for sale	96,256	-	-	-
Change in liabilities held for sale	(355,974)	-	-	-
Net cash outflow from operating activities	**(132,485)**	**(299,005)**	**(437,488)**	**(569,014)**

(b) Reconciliation of Cash Assets

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Cash at bank and on hand	31,094	56,906	31,094	8,291

(c) Credit Standby Arrangements

At balance date, the Company had the following used and unused financing facilities from unrelated parties:

- loan facility of $800,000 drawn down to $640,000. On 29 September 2009, the Company entered into a revised unsecured short term loan facility of up to $1,000,000.

(d) Incorporation of OEL E&P (USA), Inc

Odyssey Energy Limited incorporated OEL E&P (USA), Inc on 24 June 2008 for USD $2.

24. CASH FLOW STATEMENT (Continued)

(e) Loss on Sale of Subsidiary

On 24 June 2008 the Company entered into a Share Sale Agreement to sell to Marion Energy Limited all of its shares in its wholly owned subsidiary OEL Operating (USA). The consideration for the sale and purchase was the issue of 27,500,000 Marion Energy Shares. Completion of the sale and purchase was approved by shareholders on 12 August 2008. The sale settled on 4 September 2008.

	$
Consideration Received	
27,500,000 ordinary shares in Marion Energy Limited (ii)	17,531,250
Cash received	-
Total value of consideration received on sale	17,531,250
Net assets relinquished at 4 September 2008	
Exploration and Evaluation Assets	18,531,689
Property, Plant & Equipment	22,858
Liabilities	-
Net value of assets in OEL Operating (USA) Inc	18,554,547
Foreign currency translation reserve movement	1,025,733
Transaction costs paid	46,377
Transaction costs (accrued)	18,589
Total transaction costs	64,966
Cash relinquished	-
Net assets relinquished at date of deconsolidation	19,645,246
Consolidated loss on sale of OEL Operating (USA) Inc	**(2,113,996)**

(i) The loss recognised in the Company on the sale of OEL Operating (USA) Inc for the year ended 30 June 2009 is $2,148,002. This consists of consideration received being the issue of 27.5 million Marion Shares at the fair value of $17,531,250 less the investment balance in the subsidiary of OEL Operating (USA) Inc and transaction costs associated with the sale.

(ii) On 24 June 2008 the Company entered into a Share Sale Agreement to sell to Marion Energy Limited ("Marion") all of its shares in its wholly owned subsidiary OEL Operating (USA) ("OEL"). The consideration for the sale and purchase was the issue of 27,500,000 Marion Shares.

At 30 June 2008, the value of the consideration to be received exceeded the carrying value of net assets relinquished pursuant to the sale, however the value of the consideration declined between the period 1 July 2008 and the date the sale was completed.

Completion of the sale and purchase was approved by shareholders on 12 August 2008. The sale settled on 4 September 2008. These shares were subject to escrow until 4 June 2009.

The Directors have sought advice regarding the fair value of the Company's investment in Marion. Based on that advice, the Board has determined the fair value at the date of settlement (4 September 2008) to be $17,531,250. The net fair value of the Company's investment in Marion Energy has been determined using a valuation technique, with reference to the market price of Marion's shares discounted by 15% due to the escrow of the shares.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Company and the Group have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Given the nature and size of the business, no formal risk management committees have been established, however responsibility for control and risk management is delegated to the appropriate level of management with the chief executive officer and chief financial officer (or their equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of the operations and financial position of the Company and Group. The Board also reviews risks that relate to operations and financial instruments as required, but at least every six months.

Given the uncertainty as to the timing and amount of cash inflows and outflows, the Company has not implemented any additional strategies to mitigate the financial risks and no hedging has been put in place. As the Company's operations change, the Directors will review this policy periodically going forward.

The Company's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains.

Due to the changes in the global economy there has been a significant decline in the value of available for sale financial assets.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit Risk

Credit risk is the risk of financial loss to the Company or Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents, and trade and other receivables.

The Group had only one significant customer and their receivable balance is monitored on an ongoing basis with the result that the Group's exposure to bad debts is not considered significant.

The Company reviews the collectability of the receivable from its subsidiary on a regular basis and makes provision where considered necessary.

(c) Liquidity Risk

Liquidity risk is the risk that the Company and Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due. This is monitored by the preparation of monthly cash flow reports, and regular forecasts as required but at least every six months.

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's or Group's income or the value of its holdings of financial instruments.

The Company currently does not engage in any hedging or derivative transactions to manage market risk.

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables are non-interest bearing or are fixed interest bearing (in the case of the convertible notes and the short term borrowing facility).

(ii) Currency risk

The Company and the Group are exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its controlled entity. The functional currency of the Company is Australian Dollars (AUD) and of its controlled entities is United States Dollars (USD).

As the Company's loan to its controlled entity is denominated in AUD the Company has not been exposed to currency risk in respect to this balance. Foreign currency gains/losses recorded by the subsidiary are eliminated on consolidation.

Foreign currency risk also arises on translation of the net assets of the controlled entity into AUD for consolidation purposes. The foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Market Risk (continued)

(iii) Equity price risk

The Company is exposed to equity price risk arising from its equity investment in Marion Energy Limited. The equity investment is currently held for strategic rather than trading purposes. The Company does not actively trade these investments and no hedging or derivative transactions have been used to manage equity price risk.

The Company holds 27.5 million shares in Marion Energy Limited which are listed on the ASX (under the code of MAE). In August 2009 Marion announced that its sale process (of the company as a whole or of its projects) was ongoing and that it had recommenced operations at its Clear Creek project to bring wells back into production. It is expected that the result of these activities, and its ability to refinance its debt, will impact on the price at which Marion Energy's shares trade on the ASX.

With respect to equity price risk arising from the Company's equity investments, the maximum exposure is equal to the carrying amount of the Company's equity investments.

(e) Capital Management

The Board's policy is to maintain a suitable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Company, the Board's objective is to minimise debt going forward and to raise funds as required through the issue of new shares. However, the Board will undertake short term borrowings to provide temporary funding where appropriate. The Company is currently examining new business opportunities where acquisition/working capital requirements of a new project may involve additional funding in some format (which may include debt, where appropriate).

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

FINANCIAL INSTRUMENTS

(a) Credit Risk

(i) Exposure to credit risk

The carrying amount of the Company's and the Group's cash and receivables represents the maximum credit risk exposure, as represented below:

		Consolidated		Company	
	Notes	2009	2008	2009	2008
		$	$	$	$
Cash and cash equivalents	24(b)	31,094	56,906	31,094	8,291
Trade and other receivables	4	22,670	20,430[1]	22,670	20,430
Intercompany loan		-	-	-	-
Provision for impairment of intercompany loan		-	-	-	-
		53,764	**77,336**	**53,764**	**28,721**

Company and consolidated receivables are comprised of GST refunds due.

[1] This was not representative of credit risk during the year as subsidiary balances were subsequently sold.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit Risk

(i) Impairment losses

None of the Company or Group's receivables are past due (2008: nil).

An impairment loss of $100,000 recognised in relation to the intercompany loan at 30 June 2006 has been reversed in the year ended 30 June 2008.

No other impairment losses have been recognised. Refer to note 2(f) for explanation of factors leading to reversal.

An allowance account in respect of receivables is used to record impairment losses unless the Company or Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. No amounts have been written off during the year (2008: nil).

(c) Liquidity Risk

(i) Exposure to liquidity risk

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	Carrying Amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
2009 – Group						
Trade and other payables	850,015	(850,015)	(850,015)	-	-	-
Loans and borrowings	640,000	(691,868)	-	(691,868)	-	-
Liabilities classified as held for sale	-	-	-	-	-	-
Convertible Notes	2,824,900	(3,396,942)	(127,120)	(127,120)	(3,142,702)	-
2009 – Company						
Trade and other payables	847,530	(847,530)	(847,530)	-	-	-
Loans and borrowings	640,000	(691,868)	-	(691,868)	-	-
Convertible Notes	2,824,900	(3,396,942)	(127,120)	(127,120)	(3,142,702)	-
2008 – Group						
Trade and other payables	161,553	(161,553)	(161,553)	-	-	-
Loans and borrowings	350,000	(367,500)	-	(367,500)	-	-
Liabilities classified as held for sale	355,974	(355,974)	(355,974)	-	-	-
Convertible Notes	2,824,900	(3,524,062)	(127,120)	(127,120)	(254,241)	(3,015,581)
2008 – Company						
Trade and other payables	161,553	(161,553)	(161,553)	-	-	-
Loans and borrowings	350,000	(367,500)	-	(367,500)	-	-
Convertible Notes	2,824,900	(3,524,062)	(127,120)	(127,120)	(254,241)	(3,015,581)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Currency Risk

(i) Exposure to currency risk

As a result of activities overseas, the Group's balance sheet can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in foreign currencies. The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

(ii) Sensitivity analysis for currency risk

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movement. The year end USD exchange rate was 0.0.8048 (2008: 0.9615). Had this increased by 10% to 0.8853 (2008: 1.058) consolidated equity would have increased by $45,179,(2008: decrease of $1,427,647) and consolidated loss would have increased by $90,115. (2008: $5,204). Had this decreased by 10% to 0.7243 (2008: 0.8654) consolidated equity would have decreased by $45,179 (2008: increase of $1,744,903) and consolidated loss would have decreased by $90,115 (2008: $6,360).

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

There would be no impact on profit or loss arising from changes in the currency risk variables relating to the Group's activities overseas as all changes in value are taken to a reserve.

(e) Interest Rate Risk

(i) Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instrument was:

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Interest-bearing financial instruments					
Cash at bank and on hand	(i)	31,094	56,906	31,094	8,291
Loans and borrowings	(ii)	(640,000)	(350,000)	(640,000)	(350,000)
Convertible notes payable	(iii)	(2,824,900)	(2,824,900)	(2,824,900)	(2,824,900)
		(3,433,806)	**(3,117,994)**	**(3,433,806)**	**(3,166,609)**

(i) The weighted average interest rate of the Company cash balances was 0.75% (2008: 5.00%) and for other consolidated cash balances this rate was 0.75% (2008: 1.31%).

(ii) At 30 June 2009, the Company had an unsecured loan from an unrelated party. The loan is unsecured, repayable on 31 October 2010 and has interest payable of 10% per annum on repayment of the full amount.

(iii) The convertible notes payable have a fixed interest rate of 9% and are repayable on 23 March 2011, if not redeemed or converted prior to this date. Refer to Note 13 for further details of terms and conditions.

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

(e) Interest Rate Risk (Continued)

(ii) Cash flow sensitivity analysis for variable rate instruments

A sensitivity of 20 per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 20% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the 2008 year on the basis of a 10% movement in interest rates. The increased volatility reflects the change in market conditions since 2008. This analysis is prepared based on cash balances as at year end and due to significant decreases in the cash balance and interest rate risk throughout the year is not considered representative of the risk during the year.

	Profit or loss	
	20% increase	20% decrease
2009		
Group		
Cash and cash equivalents	46	(246)
Company		
Cash and cash equivalents	46	(46)
2008		
Group		
Cash and cash equivalents	74	(74)
Company		
Cash and cash equivalents	41	41

(f) Commodity Price Risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(g) Equity Price Risk

(i) Exposure to equity price risk

The Company's investment in Marion Energy Limited (ASX code MAE) is classified as available-for-sale and is carried at fair value. The Directors have determined the fair value to be $6,875,000, based on the market value for the company's shares traded on the ASX. A deferred tax liability has been recognised in respect of this investment (refer Note 3).

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

(g) Equity Price Risk (Continued)

Sensitivity analysis for equity price risk

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date, which has been determined based on recent movements in the price of the underlying financial assets. At reporting date, if the equity prices had been 40% higher or lower:

- net loss for the year ended 30 June 2009 would be unaffected as the equity investments are classified as available for sale and no investments were disposed of; and
- equity reserves would increase/decrease by $2,750,000 (2008: nil) for the Company as a result of the changes in fair value of available for sale investments.

26. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Group has no commitments for expenditure. However, it should be noted that the Group intends to conduct exploration and appraisal activities on its oil and gas leases.

(b) Contingencies

At balance date the Group has no contingent assets or liabilities.

27. SUBSEQUENT EVENTS

On 29 September 2009, the Company recently entered into a revised unsecured short term loan facility of up to $1,000,000, which is now repayable in October 2010.

Other than as outlined above, as at the date of this report there are no matters or circumstances which have arisen since 30 June 2009 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2009, of the Company or Consolidated Entity;
- the results of those operations, in financials years subsequent to 30 June 2009, of the Company or Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2009, of the Company or Consolidated Entity.

28. SHARE BASED PAYMENTS

(a) Recognised Share-Based Payment Expense

From time to time, the Group provides incentive options to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options granted, and the terms of the options granted are determined by the Board. Shareholder approval is sought where required. During the past two years, no equity-settled share-based payments have been made:

(b) Summary of Options Granted

There were no incentive options granted during the 2009 or 2008 financial year.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2009 No.	2008 No.	2009 WAEP	2008 WAEP
Outstanding at beginning of year	2,550,000	2,550,000	$0.77	$0.77
Granted during the year	-	-	-	-
Expired during the year	(1,150,000)	-	$0.44	-
Outstanding and exercisable at end of year	**1,400,000**	**2,550,000**	**$1.00**	**$0.77**

The outstanding balance as at 30 June 2009 is represented by:

- 1,400,000 unlisted options over ordinary shares with an exercise price of $1.00 each that expire on 31 December 2009. These vested upon grant.

(c) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 0.5 years. (2008: 1.2 years).

(d) Range of Exercise Prices

The exercise prices for share options outstanding as at 30 June 2009 was $1.00 (2008: range of $0.20 to $1.00).

(e) Weighted Average Fair Value

There were no options issued during the 2009 or 2008 financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Odyssey Energy Limited, I state that:

(1) In the opinion of the directors:

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

(i) 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

(ii) complying with accounting standards and the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

(2) The remuneration disclosures included in pages 8 to 12 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.

(3) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

On behalf of the Board.

MARK PEARCE
Director

Perth, 29 September 2009

BDO Kendalls

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ODYSSEY ENERGY LIMITED**

We have audited the accompanying financial report of Odyssey Energy Limited, 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 of the consolidated entity comprising the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with 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 opinions.

BDO Kendalls

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion the financial report of Odyssey Energy Limited is in accordance with the *Corporations Act 2001*, including:

(a) (i) 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

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

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

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 of Odyssey Energy Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

BG McVeigh
Director

Signed in Perth, Western Australia
Dated this 29th day of September 2009.