



## ASX ANNOUNCEMENT

26 February 2009

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### AMADEUS ENERGY RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

#### HIGHLIGHTS

- Revenue from operations up 19% to \$34.3 million
- Cash flow from operating activities up 19% to \$17.5 million
- Oil production down 5% to 246,467 BBLs (due to sale of asset)
- Gas production up 25% to 876,055 MCF
- EBITDA from operations remained steady at \$18.9 million
- Net profit before non-cash items down 7% to \$9.6 million
- Operating costs approximately US\$15.60 per BOE
- Share buy-back initiated with 5% of issued capital purchased and cancelled

#### Post Period

- Oil hedge providing oil price protection at \$US55/BO on 60% of production until 31 December 2009

#### FINANCIAL RESULTS SUMMARY

| Half-year ended 31 December<br>(all results in AUD) | Note | 2008<br>\$ million | 2007<br>\$ million | Change |
|---|------|--------------------|--------------------|--------|
| <b>Revenue from operations</b>                      | 1.1  | <b>34.3</b>        | 28.8               | +19%   |
| Operating expenses                                  | 1.2  | <b>(8.4)</b>       | (7.5)              | +12%   |
| <b>EBITDA from operations*</b>                      | 1.4  | <b>18.9</b>        | 19.0               | -1%    |
| Other income  |      | -                  | 6.3                | N/A    |
| Loss in associate                                   |      | -                  | (7.2)              | N/A    |
| Non cash items                                      |      |                    |                    |        |
| - fair value gain / (loss) on hedges                | 1.5  | <b>38.8</b>        | (7.7)              | +603%  |
| - depreciation / amortisation                       | 1.5  | <b>(6.2)</b>       | (4.6)              | +37%   |
| - exploration write-off                             | 1.5  | <b>(18.2)</b>      | -                  | N/A    |
| - deferred tax benefit / (expense)                  | 1.5  | <b>(0.9)</b>       | 0.1                | +940%  |
| Interest expense                                    | 1.6  | <b>(2.8)</b>       | (4.1)              | -30%   |
| <b>NPAT (Net Profit/(Loss) After Tax)</b>           | 1.7  | <b>26.6</b>        | 1.7                | +1445% |
| <b>Net profit before non-cash items **</b>          | 1.7  | <b>9.6</b>         | 10.2               | -7%    |

\* Adjusted for non-cash items and one-off losses or income.

\*\* Adjusted for non-cash fair value adjustment, income tax benefit, loss in associate and other one-off non-core items.

## 1. COMMENTARY ON RESULTS

### 1.1. Revenue from Operations

**Sales:** Net sales from oil and gas in USD terms (after payment of all royalties) increased 7% to \$US25.6 million up from \$US24 million in 2007. The higher sales revenue was due to higher gas production volumes and higher gas prices this period. Gross margins from the US operations were unchanged.

**Volume – Sales of Oil and Gas:** Amadeus sold 246,467 BBLs (net after federal, state and land-owner royalties) for the half-year, down 5% from the 260,550 BBLs sold in the corresponding 2007 half-year. The reduction in oil sales is due to the partial sale of the Raccoon Bend Project on 1 October 2007.

Net gas sales increased by 25% from 701,252 MCF to 876,055 MCF, which was the result of a number of new successful exploration wells coming on-line in the Hallettsville Project, Lavaca County, Texas.

Production is distributed among the various producing areas as follows:

| Project   | Gas Volume MCF | % of Total | Oil Volume BO | % of Total |
|-----------|----------------|------------|---------------|------------|
| Kansas    | 12,123         | 1%         | 119,544       | 49%        |
| Louisiana | 26,662         | 3%         | 487           | -%         |
| Oklahoma  | -              | -%         | 9,628         | 4%         |
| Texas     | 837,270        | 96%        | 116,808       | 47%        |
| Total     | 876,055        | 100%       | 246,467       | 100%       |

**Price:** Average prices received for the reporting period were unchanged for oil and up 20% for gas compared to the prior corresponding period.

| Average price received in six months to 31 December | 2008 US\$ | 2007 US\$ |
|---|-----------|-----------|
| Oil (average sales price per BO)                    | 72.72     | 72.25     |
| Gas (average sales price MCF)                       | 8.78      | 7.34      |

**Exchange Rate:** The weakening Australian dollar against the US dollar has had a positive impact on the translation of US results. A comparison of the exchange rates used for translation of results from the core US business to the AUD currency is set out in the following table:

| AUD: USD foreign exchange rate  | 31 Dec 2008 | 31 Dec 2007 |
|---------------------------------|-------------|-------------|
| Income statement (average rate) | 0.7820      | 0.8690      |
| Balance sheet                   | 0.6907      | 0.8767      |

### 1.2. Operating Expenses

**US Operating Costs:** Gross margin from the core oil and gas business was 76%, which is consistent with the previous corresponding period (2007: 75%). The Company has been able to maintain attractive gross margins through a strong focus on cost management.

|   | 31 Dec 2008<br>US\$ | 31 Dec 2007<br>US\$ |
|---|---------------------|---------------------|
| Operating costs/BOE (barrels of oil equivalent) | \$15.60             | \$16.09             |

### 1.3. Other Expenses

#### Hedge Costs

Approximately 73% of oil production was hedged for the period with a collar/cap of \$US55.00 - \$US85.30/BO. There was no gas hedging in place during the period. The oil hedge resulted in a hedge expense for the period of \$3.8 million.

|                      | 31 Dec 2008<br>\$'000 | 31 Dec 2007<br>\$'000 |
|----------------------|-----------------------|-----------------------|
| Hedge expense (cash) | 3,844                 | 150                   |

From 31 December 2008 to 31 December 2009 an oil hedge is in place for 24,000 BO/month with a collar/cap of \$US55.00 - \$US84.30. Post period the oil hedge is now in the money, resulting in the receipt of hedge income.

#### Administration Costs

|                | 31 Dec 2008<br>\$'000 | 31 Dec 2007<br>\$'000 |
|----------------|-----------------------|-----------------------|
| Administration | 2,486                 | 1,979                 |

In August 2008 Amadeus established a US-based office in Denver Colorado, employing staff directly to oversee and account for US operations, reporting back to head office in Perth. Additional costs were incurred in this current period on administration costs associated with the new office.

### 1.4. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) from Operations

#### EBITDA

The EBITDA figure reported in the accounts of (\$1.9) million has been impacted by 2 one-off items. The reported EBITDA has been adjusted for these items to reflect 'EBITDA from operations'.

EBITDA from operations was \$18.9 million, which is consistent with \$19 million for the corresponding period in 2007.

EBITDA from operations is reconciled as follows:

|                               | 31 Dec 2008<br>\$'000 | 31 Dec 2007<br>\$'000 |
|-------------------------------|-----------------------|-----------------------|
| <b>EBITDA (reported)</b>      | <b>(1,937)</b>        | <b>18,146</b>         |
| ADD:                          |                       |                       |
| Exploration write-off         | 18,168                | -                     |
| Impairment loss               | 2,656                 | -                     |
| Loss in associate             | -                     | 7,236                 |
| LESS:                         |                       |                       |
| Other income                  | -                     | (6,339)               |
| <b>EBITDA from operations</b> | <b>18,887</b>         | <b>19,043</b>         |

The significant items impacting EBITDA are outlined below:

**Exploration write-off:** Over the past 18 months the Company has been preparing to test a number of high-impact exploration prospects and during the period several of those prospects were tested and evaluated following which decisions were made regarding their future viability. A number of the prospects have been successful and the capital costs of those prospects will be amortised over their productive life. However, as at 31 December 2008, it was determined that four of the prospects would be unlikely to recoup the capital costs spent, due to the non-existence of economically recoverable reserves being discovered.

In accordance with the Company's accounting policies, costs on the following projects have been written off:

- Gross Tete project, Louisiana;
- West Avondale project, Louisiana;
- North Henry Bayou project, Louisiana; and
- North East Waller project, Texas.

The write off totalled \$18.2 million (2007: nil).

**Impairment loss:** Amadeus holds investments in listed entities in Australia. Due to prolonged decline in share prices of these investments, an impairment loss of \$2.6 million has been incurred to reflect the fall in fair value compared to the cost of the investments. Current carrying value of the investments is \$0.7 million as at 31 December 2008.

**Loss in Associate:** The investment in associate, Australian Renewable Fuels Ltd (ARW) was fully written off in the previous half-year. No losses were recorded into the current half-year.

**Other Income:** Other income was recorded in the previous half-year for the one-off gain on the partial sale of the Raccoon Bend property in Texas.

#### 1.5. Non-cash items

To provide insight into the performance of the core business, the following significant non-cash items are outlined below:

**Fair Value Gain/(Loss) on Hedges:** The fair value gain this half-year was \$38.8 million, compared to a loss in the previous half-year of \$7.7 million. This values the oil hedge contracts as at 31 December 2008, based on a forward rate as at the half-year. The falling price of oil has created this fair value gain, which is a one-off non-cash item that has materially impacted the result this period.

**Depreciation/Amortisation:** The non-cash amortisation charge increased by 37% from the previous period from \$4.6 million to \$6.2 million due, in part, to the conversion rate of the AUD: USD exchange between periods.

**Deferred Income Tax:** Income tax expense for the period was \$0.9 million compared with \$0.1 million benefit reported in December 2007. There will be minimal current tax payable in the next financial year.

#### 1.6. Interest expense

Interest expense for the period was \$2.8 million compared to \$4.1 million in 2007. The reduced expense is principally due to the Company's reduced debt level, with \$US12 million repaid in July 2008. A hedge on US interest rates on core debt was in place during the period and will remain in place until its maturity in December 2009. The hedge is a swap contract which fixes an interest rate of 4.93% on \$US40 million of debt.

## 1.7. Net profit after tax and net profit adjusted for non-cash items:

**Reported NPAT:** The Group reported NPAT of \$26.6 million in the half year, compared to the previous period of \$1.7 million. The large increase is due to a material non-cash fair value gain on hedges outlined under Section 1.5 above. This is considered a one-off credit that does not reflect the core business result of US operations.

**Net profit before non-cash items:** The Group reported net profit before non-cash items of \$9.6 million, down 7% compared to the previous period of \$10.2 million. Net profit before non-cash items has been maintained during a period of sustained falling commodity prices. The net profit before non-cash items figure excludes non-cash items and those not related to core operations.

A reconciliation of net profit before non-cash items is outlined as follows:

|   | 31 Dec 2008<br>\$'000 | 31 Dec 2007<br>\$'000 |
|---|-----------------------|-----------------------|
| <b>NPAT (reported)</b>                  | <b>26,628</b>         | <b>1,724</b>          |
| LESS:                                   |                       |                       |
| Fair value (gain)/loss on hedges        | (38,833)              | 7,723                 |
| Gain on sale                            | -                     | (6,339)               |
| ADD:                                    |                       |                       |
| Income tax expense / (benefit)          | 940                   | (112)                 |
| Exploration write-off                   | 18,168                | -                     |
| Impairment loss                         | 2,656                 | -                     |
| Loss in associate                       | -                     | 7,236                 |
| <b>Net Profit before non-cash items</b> | <b>9,559</b>          | <b>10,232</b>         |

## 2. BALANCE SHEET

The Balance Sheet remains strong, with net assets of \$133 million at December 2008 (2007: \$71.2 million). The Group's bank debt position is \$81.3 million (\$US 56.4 million) compared to \$71.3 million (\$US 68.9 million) as at June 2008. Principal repayments of \$US12.5 million (2007: \$US9 million) were made during the current period on the Company's loan facility out of proceeds from a private placement in June 2008.

The net carrying value of the US assets was \$201 million (2007: \$147 million). Refer to item 1.4 above for information on exploration costs previously capitalised and written off this half-year.

## 3. CASH FLOW

Cash flow from operating activities was \$17.5 million, 19% higher than the previous half-year of \$14.7 million. Cash at bank is lower at \$4.3 million, than the June 2008 balance of \$19.1 million, due to repayment of debt out of cash and to the re-investment of available cash flow into the exploration and development drilling program.

## 4. EXPLORATION ACTIVITY & DEVELOPMENT OF EXISTING PROPERTIES

**4.1. Expenditure:** Exploration and development expenditure totalled \$15.6 million for the period, down from \$16.7 million spent during the 2007 half-year. The expenditure reflects reinvestment of available cash-flow into drilling and 3-D seismic programs that will further develop the Company's extensive leasehold of oil and gas properties.

Expenditure was apportioned into the following categories during the half-year to 31 December 08.

| Risk Profile | %           | AU\$ Million | Project (State)   |
|--------------|-------------|--------------|---|
| Low Risk     | 10          | 1.5          | Ford East (TX), Raccoon Bend (TX), White Eagle (KS)   |
| Medium Risk  | 15          | 2.3          | Hallettsville (TX), Novinger East (KS)  |
| High Risk    | 55          | 8.7          | Falcon (LA), Gross Tete (LA)*, Homerun (LA), Lake Long (LA), North Henry Bayou (LA)*, West Avondale (LA)*, West Klondike (LA), Shoreline (ND) |
| 3D Seismic   | 20          | 3.1          | Raccoon Bend 3D Extension (TX)<br>North East Waller (TX)*, Longville (LA)   |
| <b>Total</b> | <b>100%</b> | <b>15.6</b>  |   |

Note\*: costs fully written off as at 31 December 2008

#### 4.2. Summary of Drilling Activities by Project Areas

In the half-year to 31 December 2008, Amadeus commenced drilling on 25 wells. At the end of the period, 15 of these wells were either completed for production, undergoing completion operations or were in production testing, 8 were plugged and abandoned and 2 wells were still being drilled.

##### Lower Risk Projects:

*Ford East Project (Reeves County, Texas):* Four oil development wells, the Red Bluff 16 #7, #8, #9 and #10 were drilled back to back commencing in June 2008. The exploration resulted in all four wells successfully finding commercial quantities and qualities of oil. Production from the Ford East Project averaged approximately 3,000 BO and 4,000 MCF per month (net share to Amadeus) for the period.

*Raccoon Bend Project (Austin & Waller Counties, Texas):* Five oil wells were drilled between October and December 2008 all of which intersected commercial oil zones. All have been completed for production except for the Hellmuth #25 (currently being completed). The Diemer #23 is an oil wildcat well and the Paine #48, Wilson #29 and Wilson #27 wells are all oil development wells. Production from the Raccoon Bend Project averaged approximately 2,300 BO and 2,000 MCF per month (net share to Amadeus) for the period.

*White Eagle Project (Various Counties, Kansas):* Two oil development wells were drilled during the period on this project; the Losey Trust #4 and Helmers Unit #2. Both of these wells were successful and both have now been completed for production. Payback on wells in the White Eagle Project typically average 7 months and have a producing life of over 20 years. Production from the field averaged approximately 20,550 BO and 2,100 MCF per month (net share to Amadeus) for the period.

##### Medium Risk Projects:

*Hallettsville Project (Lavaca County, Texas):* Five exploratory gas wells were drilled at Hallettsville during the half year, resulting in three wells being completed for production and two being plugged and abandoned. The Mueller #2 has been placed on production and the Wolf Cowling A#2 and Smolik A-2 are currently being completed. Production from the field averaged approximately 2,000 BO and 106,000 MCF per month (net share to Amadeus) for the period.

*Novinger East Project (Meade County, Kansas):* Oil wildcat well, Ballard #24-1 was drilled in July 2008, with no oil shows intersected and accordingly the well was plugged and abandoned.

## Higher Risk Projects:

*Longville Project (Allen Parish, Louisiana):* Two wildcat prospects were drilled throughout October and November 2008 at the Longville Project area in Louisiana; the Doornbos Estate #1 and #2 wells. Logging of the Doornbos Estate #1 identified the objective Cockfield reservoir at a depth of 8,500 feet. The well was production tested and is presently shut in awaiting installation of surface facilities and a gas valve line at which time it will be put on production. The Doornbos Estate #2 was drilled to approximately 12,000 feet to its targeted Upper Wilcox sands, with no commercial zones identified. The well was plugged and abandoned.

*North Bayou Henry Project (Louisiana):* Amadeus farmed in to this project in 2007, which is a 3D defined fault block closure that is adjacent to the Bayou Henry oil and gas field. The A Wilbert's Sons et al #1 exploration well was drilled to a total depth of 12,480 feet in August to test the Marg Tex sands. The target was dry and the well was therefore plugged and abandoned. All costs associated with this project have been written off as at 31 December 2008.

*North East Waller Project (Harris and Waller Counties, Texas):* Two wells the Pitchford #1 and #2 were drilled at the North East Waller Project in November 2008. No zones of interest were identified that would be commercially viable and both wells were plugged and abandoned. All costs associated with this project have been written off as at 31 December 2008.

*Raccoon Bend Deep Project (Waller County, Texas):* A shallow Yegua amplitude anomaly identified by 3D was tested by the La Salle Cattle Company #1 well which reached its target depth of 4,100 feet in November 2008. Logging of the well did not identify any commercial zones of interest and the well was plugged and abandoned.

## Post Reporting Period Exploration Results:

*Falcon Project (St Landry Parish, Louisiana):* Drilling commenced on gas wildcat well Lastrapes #1 on the Falcon prospect on the 29 December 2008. The well is currently drilling ahead to its target depth. The well has encountered what appears to be a zone of interest. More will be known on this zone and the primary objective zone following logging of the well.

*Longville Project (Allen Parish, Louisiana):* The Crosby Land and Resources #2 well (Crosby #2) reached its target depth of 9,126 feet on 11 February 2009. Logs and formation tests of the well demonstrate that the target H1 Cockfield zone is commercially productive. Amadeus owns a 25% interest in this well, targeting reserves of 600,000 BOE (barrels of oil equivalent). The drill rig has since been moved from the Crosby #2 location and is currently rigging up on the Lyles #1 well which will test the Dillingham prospect in another fault block just to the south of the Crosby #2 well. This well is targeting reserves in excess of 800,000 BOE.

## 5. OUTLOOK

### 5.1. Short-term

Over the past 6 months global commodity prices have been extremely volatile. During the period oil fell from an all time high of above \$US140 to approximately \$US40 at the end of the period. While the medium to long term outlook for oil and gas prices is very strong, the short term outlook is less certain. The Company's short term focus is to remain cash flow positive and to allocate some of its free cash flow to the reduction of debt. To achieve this, the Company has scaled back its exploration programme, however it maintains a good portfolio of high impact exploration prospects that will be drilled over the next 12 months. The Company's low operating cost model means that it is well positioned to maintain profit margins and remain cash flow positive during any prolonged period of volatility. Added to that, is the benefit of the Company's hedges which provide oil price protection of \$US55/BO for approximately 60% of production to 31 December 2009.

## 5.2. Long-term

During the period a comprehensive corporate review was commenced and post period end, the review has been submitted to the Board. The Board will make an announcement on the review once it has been fully considered.

Yours faithfully,



CAROLINE L BENTLEY  
Company Secretary/Executive Director

### For further information regarding the half-yearly results please contact:

Geoffrey Towner            or            Mitchell Wells  
Managing Director                      Chief Operating Officer

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Amadeus Energy Limited – Australian Securities Exchange code: **AMU**

### Glossary of Terms:

|        |  |
|--------|--|
| BBLs   | barrels  |
| BCF    | billion cubic feet   |
| BOPD   | barrels of oil per day                                       |
| BOE    | barrels of oil equivalent                                    |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| BO     | barrels of oil   |
| BW     | barrels of water   |
| KS     | Kansas   |
| LA     | Louisiana  |
| MCF    | thousand cubic feet  |
| MMCF   | million cubic feet   |
| MMBO   | million barrels of oil                                       |
| OK     | Oklahoma   |
| TX     | Texas  |
| WTI    | West Texas Intermediate                                      |

## APPENDIX 4D

### Half Year Report

#### For the six months ended 31 December 2008

|                                       |                                  |
|---------------------------------------|----------------------------------|
| <b>Name of entity:</b>                | Amadeus Energy Limited           |
| <b>ABN:</b>                           | 36 058 714 408                   |
| <b>Reporting period:</b>              | Half year ended 31 December 2008 |
| <b>Previous corresponding period:</b> | Half year ended 31 December 2007 |

| <b>Results for announcement to the market</b>  |      | <b>%</b> |    | <b>\$A'000</b> |
|--|------|----------|----|----------------|
| Revenues from continuing operations            | up   | 19       | to | 34,267         |
| Earnings before interest, tax and depreciation | down | 111      | to | (1,937)        |
| Profit after income tax                        | up   | 1,445    | to | 26,628         |
| Profit attributable to members                 | up   | 1,434    | to | 26,617         |

|   |
|---|
| <b>Commentary on results for the period</b>   |
| (Refer to the Directors' Report included in the Half-Year Financial Report and the cover pages of this announcement). |

| <b>Dividends</b>              | <b>Amount per security</b> | <b>Franked amount per security</b> |
|-------------------------------|----------------------------|------------------------------------|
| Interim dividend              | NIL¢                       | NIL¢                               |
| Previous corresponding period | NIL¢                       | NIL¢                               |

| <b>Net tangible assets per security</b>          | <b>Current period</b> | <b>Previous corresponding period</b> |
|--|-----------------------|--------------------------------------|
| Net tangible asset backing per ordinary security | 67.01¢ per share      | 39.24¢ per share                     |

|  |     |
|--|-----|
| <b>Control gained over entities having material effect</b> | N/A |
|--|-----|

|   |     |
|---|-----|
| <b>Loss of control of entities having material effect</b> | N/A |
|---|-----|

|  |     |
|--|-----|
| <b>Details of aggregate share of profits (losses) of associated and joint venture entities</b> | N/A |
|--|-----|

|  |
|--|
| <b>Audit</b>   |
| This report is based on accounts that have been subject to review. |

**The information set out in the Appendix 4D Half-Year Report is to be read in conjunction with the December 2008 Half- Year Financial Report.**

**Sign here:**



**Date:** 26 February 2009

**Print name:** Caroline L. Bentley  
Director/Company Secretary

# AMADEUS ENERGY LIMITED

ABN: 36 058 714 408

Half-Year Financial Report  
For the Six Months Ended 31 December 2008

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### Glossary

|                    |   |
|--------------------|---|
| ASX                | Australian Securities Exchange Limited (ACN 008 624 691)                |
| AMU                | ASX Code for Amadeus Energy Limited                                     |
| Amadeus or Company | Amadeus Energy Limited (ABN 36 058 714 408) and its controlled entities |
| ARW                | ASX Code for Australian Renewable Fuels Limited (ABN 66 096 782 188)    |
| BBL                | Barrel  |
| BCF                | Billion cubic feet  |
| BO                 | Barrels of oil  |
| BOE                | Barrels of oil equivalent   |
| BOEPD              | Barrels of oil equivalent per day                                       |
| BOPD               | Barrels of oil per day  |
| MCF                | Thousand standard cubic feet of gas per day                             |
| MMCF               | Million standard cubic feet of gas per day                              |
| WI                 | Working interest  |
| YTD                | Year to date  |

## DIRECTORS' REPORT

The Directors submit herewith their report together with the consolidated financial report of the consolidated entity, being Amadeus Energy Limited ("the Company") and its controlled entities, for the half-year ended 31 December 2008 and the auditor's report thereon.

### Directors

The names of Directors of the Company during or since the end of last financial year are:

|  |  |
|--|--|
| The Hon. Andrew Peacock AC, Non-Executive Chairman | Peter Lehle, Non-Executive Director    |
| Geoffrey Towner, Managing Director                 | Craig Coleman (appointed 7 July 2008)  |
| Robert Scott, Non-Executive Deputy Chairman        | Stephen Pearce (appointed 7 July 2008) |
| Caroline Bentley, Executive Director               |  |

### Principal Activities

The principal continuing activity of the consolidated entity during the course of the half-year was the management and operation of oil and gas producing properties in the USA and exploration in USA and Australia. No significant changes in the nature of the activities of the consolidated entity occurred during the half-year.

### Review of Results and Operations

Amadeus Energy Limited has recorded a net profit after tax of \$26.6 million for the half-year (2007: \$1.7 million). The result was impacted by the non-cash gain on revaluation of hedge derivatives amounting to \$38.8million.

Revenue from oil and gas sales amounted to \$33.5 million, compared to \$27.6 million for the previous half-year, an increase of 21%. The increase in overall revenues reflects higher production levels and commodity prices received and impact of the weakening AUD:USD exchange rate.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$(1.9) million, compared to the prior half-year of \$18.1 million. The core operations maintained a strong cash flow. Core operational EBITDA was \$18.8 million, compared to \$19.0 million the previous year, which adjusts EBITDA for non-core and non-cash items.

### USA Operations

Drilling progressed in the six months to 31 December 2008 with 25 wells spudded, as outlined below:

| Project Area                              | Well Name              | WI %  | Outcome                     |
|---|------------------------|-------|-----------------------------|
| Falcon – St Landry Parish, LA             | LaStrapes #1           | 20.00 | Drilling underway at HY end |
| Ford East – Reeves County, TX             | Red Bluff 16#7         | 82.00 | Completed and on production |
|   | Red Bluff 16#8         | 82.00 | Completed and on production |
|   | Red Bluff 16#9         | 82.00 | Completed and on production |
|   | Red Bluff 16#10        | 82.00 | Completed and on production |
| Hallettsville – Lavaca County, TX         | Wolf Cowling A#2       | 44.25 | Being completed             |
|   | Mueller #2             | 24.75 | Completed and on production |
|   | Wolf Cowling #2        | 50.00 | Plugged and abandoned       |
|   | Smolik A-2             | 24.75 | Being completed             |
|   | Bujnoch #1             | 50.00 | Plugged and abandoned       |
| Homerun – Iberville Parish, LA            | Wilberts #1            | 41.25 | Drilling underway at HY end |
| Longville – Allen Parish, LA              | Doornbos Estate #1     | 27.00 | Being completed             |
|   | Doornbos Estate #2     | 27.00 | Plugged and abandoned       |
| North Bayou Henry – Iberville Parish, LA  | A Wilbert & Sons #1    | 26.25 | Plugged and abandoned       |
| NE Waller – Waller County, TX             | Pitchford #1           | 24.00 | Plugged and abandoned       |
|   | Pitchford #2           | 24.00 | Plugged and abandoned       |
| Novinger East – Meade County, KS          | Ballard 24#1           | 13.18 | Plugged and abandoned       |
| Raccoon Bend – Austin County, TX          | Diemer #23             | 15.00 | Completed                   |
|   | Paine #48              | 15.00 | Completed                   |
|   | Wilson #29             | 15.00 | Completed                   |
|   | Wilson #27             | 15.00 | Completed                   |
|   | Hellmuth #25           | 15.00 | Being completed             |
| Raccoon Bend 3D Ext. – Austin County, TX, | La Salle Cattle Co. #1 | 24.00 | Plugged and abandoned       |
| White Eagle – Gove County, KS             | Losey Trust #4         | 85.00 | Completed and on production |
| White Eagle – Stafford County, KS         | Helmerts Unit #2       | 85.00 | Completed and on production |

## DIRECTORS' REPORT (continued)

### Hedging

The current commodity hedge position for crude oil is summarised as follows:

| Period                | Quantity   | Commodity | Cap/Collar range (\$US) |
|-----------------------|------------|-----------|-------------------------|
| 12 months to 31/12/09 | 288,000 BO | Oil       | 55.00 – 84.30           |

The current interest hedge position is summarized as follows:

| Expiration    | Underlying        | Fixed Rate | Notional Amount |
|---------------|-------------------|------------|-----------------|
| December 2009 | Floating to Fixed | 4.93%      | \$US 40 million |

### Capital

During the period 10,046,508 ordinary shares were bought back for \$4.3 million under an on-market share buy-back, that commenced on 28 September 2008. The average price of shares bought back was 42.8 cents per share. Issued capital as at 31 December 2008 is 198,378,207 shares. 3 million unlisted options lapsed and expired on 8 November 2008. 7 million unlisted options and no listed options were outstanding as at the end of the half-year.

### Outlook

The second half of the year will continue the focus on exploitation of producing properties in the US. The drilling program will continue at Lavaca County, Longville and Raccoon Bend projects in Texas and also in Kansas. Full year forecast exploration expenditure is expected to be lower than the original budget, (given low commodity prices), at approximately \$US16.5 million to 30 June 2009.

### Change in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the half-year.

### Subsequent Events after Balance Date

There has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

### Future Developments

Disclosure of information regarding the likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

### Rounding of Amounts

The Company is of a kind referred to in ASIC Order 98/0100 dated 10 July 1988 and in accordance with that Class Order, amounts in the director's report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.



**Hon Andrew S. Peacock AC**  
Non-Executive Chairman

Perth, 26 February 2009

## INCOME STATEMENTS

For the half-year ended 31 December 2008

|   | Notes | Half-Year Consolidated |                 |
|---|-------|------------------------|-----------------|
|   |       | 2008<br>\$'000         | 2007<br>\$'000  |
| Revenue from continuing operations                                  | 2     | 34,267                 | 28,811          |
| Cost of oil and gas sold  |       | (8,420)                | (7,537)         |
| <b>Gross profit</b>   |       | <b>25,847</b>          | <b>21,274</b>   |
| Other income  | 2     | -                      | 6,339           |
| Exploration write-off   | 5     | (18,168)               | -               |
| Administrative expenses   |       | (2,486)                | (1,979)         |
| Other expenses  |       | (3,844)                | (150)           |
| Impairment loss   | 2     | (2,656)                | -               |
| Employee benefits   | 2     | (630)                  | (102)           |
| Share of losses of associates                                       |       | -                      | (7,236)         |
| <b>Earnings before interest, tax, depreciation and amortisation</b> |       | <b>(1,937)</b>         | <b>18,146</b>   |
| Amortisation  |       | (6,229)                | (4,550)         |
| Depreciation  |       | (44)                   | (28)            |
| Fair value gain / (loss) on derivatives                             | 2     | 38,833                 | (7,723)         |
| Finance costs   | 2     | (3,055)                | (4,233)         |
|   |       | <b>29,505</b>          | <b>(16,534)</b> |
| <b>Profit before tax from continuing operations</b>                 |       | <b>27,568</b>          | <b>1,612</b>    |
| Income tax (expense) / benefit                                      |       | (940)                  | 112             |
| <b>Profit for the half-year</b>                                     |       | <b>26,628</b>          | <b>1,724</b>    |
| Profit is attributable to   |       |                        |                 |
| Equity holders in Amadeus Energy Limited                            |       | 26,617                 | 1,735           |
| Minority interest   |       | 11                     | (11)            |
|   |       | <b>26,628</b>          | <b>1,724</b>    |
|   |       | Cents                  | Cents           |
| <b>Earnings per share (cents per share)</b>                         |       |                        |                 |
| Basic earnings per share from continuing operations                 |       | 14.3                   | 0.96            |
| Diluted earnings per share from continuing operations               |       | 14.3                   | 0.96            |
| Earnings/(Loss) per share (EBITDA)                                  |       | (0.9)                  | 10.00           |

*The above Income Statements are to be read in conjunction with the accompanying notes to the financial statements.*

## BALANCE SHEETS

As at 31 December 2008

| Consolidated   | Notes | 31 December 2008<br>\$'000 | 30 June 2008<br>\$'000 |
|--|-------|----------------------------|------------------------|
| <b>ASSETS</b>  |       |                            |                        |
| <b>Current assets</b>  |       |                            |                        |
| Cash and cash equivalents  |       | 4,264                      | 19,151                 |
| Other assets   |       | 9,233                      | 6,775                  |
| Trade and other receivables  |       | 5,853                      | 8,735                  |
| Inventories  |       | 1,060                      | 2,510                  |
| <b>Total current assets</b>  |       | <b>20,410</b>              | <b>37,171</b>          |
| <b>Non-current assets</b>  |       |                            |                        |
| Receivables  |       | 56                         | 56                     |
| Available-for-sale investments   | 4     | 652                        | 1,948                  |
| Investments accounted for using the equity method                                    |       | -                          | -                      |
| Property, plant and equipment  | 5     | 201,305                    | 147,432                |
| Derivative financial instruments   |       | 3,514                      | -                      |
| Deferred tax assets  |       | 3,025                      | 2,125                  |
| <b>Total non-current assets</b>  |       | <b>208,552</b>             | <b>151,561</b>         |
| <b>TOTAL ASSETS</b>  |       | <b>228,962</b>             | <b>188,732</b>         |
| <b>LIABILITIES</b>   |       |                            |                        |
| <b>Current liabilities</b>   |       |                            |                        |
| Trade and other payables   |       | 1,558                      | 3,610                  |
| Borrowings   |       | 56,814                     | 440                    |
| Derivative financial instruments   |       | -                          | 21,217                 |
| Current tax liabilities  |       | -                          | 400                    |
| <b>Total current liabilities</b>   |       | <b>58,372</b>              | <b>25,667</b>          |
| <b>Non-current liabilities</b>   |       |                            |                        |
| Borrowings   |       | 24,917                     | 71,252                 |
| Derivative financial liabilities   |       | 2,029                      | 8,620                  |
| Deferred tax liabilities   |       | 10,564                     | 6,688                  |
| Provisions   |       | 115                        | 104                    |
| <b>Total non-current liabilities</b>   |       | <b>37,655</b>              | <b>86,664</b>          |
| <b>TOTAL LIABILITIES</b>   |       | <b>96,027</b>              | <b>112,331</b>         |
| <b>NET ASSETS</b>  |       | <b>132,935</b>             | <b>76,401</b>          |
| <b>EQUITY</b>  |       |                            |                        |
| Contributed equity   | 3     | 62,093                     | 66,483                 |
| Reserves   |       | 17,199                     | (17,105)               |
| Retained earnings  |       | 53,686                     | 27,069                 |
| <b>Capital and reserves attributable to equity holders of Amadeus Energy Limited</b> |       | <b>132,978</b>             | <b>76,447</b>          |
| Minority interest  |       | (43)                       | (46)                   |
| <b>TOTAL EQUITY</b>  |       | <b>132,935</b>             | <b>76,401</b>          |

The above Balance Sheets are to be read in conjunction with the accompanying notes to the financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2008

|  | Half-Year Consolidated        |                    |                                |                 |                                | Total<br>Equity<br>\$'000 |
|--|-------------------------------|--------------------|--------------------------------|-----------------|--------------------------------|---------------------------|
|  | Share<br>Capital<br>\$'000    | Reserves<br>\$'000 | Retained<br>Earnings<br>\$'000 | Total<br>\$'000 | Minority<br>Interest<br>\$'000 |                           |
|  | <b>Balance at 1 July 2007</b> | <b>51,652</b>      | <b>(7,408)</b>                 | <b>27,805</b>   | <b>72,049</b>                  |                           |
| Foreign currency translation differences                     | -                             | (3,002)            | -                              | (3,002)         | -                              | (3,002)                   |
| Tax impact of share issue costs                              | 54                            | -                  | -                              | 54              | -                              | 54                        |
| Sale of investments held for sale                            | -                             | 513                | -                              | 513             | -                              | 513                       |
| Revaluation of investments held for sale                     | -                             | (112)              | -                              | (112)           | -                              | (112)                     |
| Net income / (expense) recognised directly in equity         | 54                            | (2,601)            | -                              | (2,547)         | -                              | (2,547)                   |
| Net profit for the half-year                                 | -                             | -                  | 1,735                          | 1,735           | (8)                            | 1,727                     |
| <b>Total recognised income and expense for the half-year</b> | <b>54</b>                     | <b>(2,601)</b>     | <b>1,735</b>                   | <b>(812)</b>    | <b>(8)</b>                     | <b>(820)</b>              |
| <b>Balance at 31 December 2007</b>                           | <b>51,706</b>                 | <b>(10,009)</b>    | <b>29,540</b>                  | <b>71,237</b>   | <b>(53)</b>                    | <b>71,184</b>             |
| Foreign currency translation differences                     | -                             | (5,171)            | -                              | (5,171)         | -                              | (5,171)                   |
| Revaluation of investments held for sale                     | -                             | (1,628)            | -                              | (1,628)         | -                              | (1,628)                   |
| Net income / (expense) recognised directly in equity         | -                             | (6,799)            | -                              | (6,799)         | -                              | (6,799)                   |
| Net profit for the half-year                                 | -                             | -                  | (3,004)                        | (3,004)         | 7                              | (2,997)                   |
| <b>Total recognised income and expense for the half-year</b> | <b>-</b>                      | <b>(6,799)</b>     | <b>(3,004)</b>                 | <b>(9,803)</b>  | <b>7</b>                       | <b>(9,796)</b>            |
| Issue of shares (net of costs)                               | 14,777                        | -                  | -                              | 14,777          | -                              | 14,777                    |
| Staff options cancelled                                      | -                             | (533)              | 533                            | -               | -                              | -                         |
| Staff options issued   | -                             | 236                | -                              | 236             | -                              | 236                       |
| <b>Balance at 1 July 2008</b>                                | <b>66,483</b>                 | <b>(17,105)</b>    | <b>27,069</b>                  | <b>76,447</b>   | <b>(46)</b>                    | <b>76,401</b>             |
| Foreign currency translation differences                     | -                             | 32,873             | -                              | 32,873          | -                              | 32,873                    |
| Write back revaluation on investments                        | -                             | 1,365              | -                              | 1,365           | -                              | 1,365                     |
| Revaluation of investments held for sale                     | -                             | (6)                | -                              | (6)             | -                              | (6)                       |
| Net income / (expense) recognised directly in equity         | -                             | 34,232             | -                              | 34,232          | -                              | 34,232                    |
| Net profit for the half-year                                 | -                             | -                  | 26,617                         | 26,617          | 3                              | 26,620                    |
| <b>Total recognised income and expense for the half-year</b> | <b>-</b>                      | <b>34,232</b>      | <b>26,617</b>                  | <b>60,849</b>   | <b>3</b>                       | <b>60,852</b>             |
| Share buy-back   | (4,341)                       | -                  | -                              | (4,341)         | -                              | (4,341)                   |
| Tax impact of share issue costs                              | (49)                          | -                  | -                              | (49)            | -                              | (49)                      |
| Staff options issued   | -                             | 72                 | -                              | 72              | -                              | 72                        |
| <b>Balance at 31 December 2008</b>                           | <b>62,093</b>                 | <b>17,199</b>      | <b>53,686</b>                  | <b>132,978</b>  | <b>(43)</b>                    | <b>132,935</b>            |

The above Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

## CASH FLOW STATEMENT

For the half-year ended 31 December 2008

|  | Half-Year Consolidated |                 |
|--|------------------------|-----------------|
|  | 2008<br>\$'000         | 2007<br>\$'000  |
| <b>Cash flows from operating activities</b>                              |                        |                 |
| Cash receipts in the course of operations                                | 37,075                 | 28,528          |
| Interest paid  | (2,841)                | (4,130)         |
| Interest received  | 74                     | 35              |
| Cash payments in the course of operations                                | (16,808)               | (9,757)         |
| <b>Net cash inflow from operating activities</b>                         | <b>17,500</b>          | <b>14,676</b>   |
| <b>Cash flows from investing activities</b>                              |                        |                 |
| Payments for property, plant & equipment/capital improvements            | (5,268)                | (47)            |
| Proceeds from the sale of property, plant and equipment                  | -                      | 10,864          |
| Payments for exploration, evaluation & development                       | (15,648)               | (16,710)        |
| Proceeds from the sale of investments                                    | -                      | 485             |
| <b>Net cash outflow from investing activities</b>                        | <b>(20,916)</b>        | <b>(5,408)</b>  |
| <b>Cash flows from financing activities</b>                              |                        |                 |
| Share buy-back   | (4,341)                | -               |
| Proceeds from borrowings   | -                      | 2,823           |
| Repayment of borrowings  | (13,069)               | (12,826)        |
| <b>Net cash outflow from financing activities</b>                        | <b>(17,410)</b>        | <b>(10,003)</b> |
| <b>Net decrease in cash and cash equivalents</b>                         | <b>(20,826)</b>        | <b>(735)</b>    |
| Cash and cash equivalents at the beginning of the half-year              | 19,151                 | 2,973           |
| Effects of exchange rate fluctuations of cash held in foreign currencies | 5,939                  | (404)           |
| <b>Cash and cash equivalents at the end of the half-year</b>             | <b>4,264</b>           | <b>1,834</b>    |

*The above Cash Flow Statements of cash flows are to be read in conjunction with the accompanying notes to the financial statements.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*. The half-year financial report has been prepared in accordance with the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit and loss.

This half-year financial report does not include all the notes of the type normally included within the annual financial report and accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Amadeus Energy Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### Estimated Impairment of Property Plant and Equipment

In accordance with AASB 136 Impairment of Assets, the Group assesses at each reporting date where there is an indication that an asset may be impaired. An asset is impaired if its carrying amount exceeds its recoverable amount which is the amount to be recovered through use or sale of the asset. The recoverable amount of the Group's various cash generating units (CGUs) have been determined based on value-in-use calculations for these units.

No impairment charge has been recorded during the half-year period.

(a) Key assumptions used for value-in-use calculations

Value-in-use calculations use cash flow projections based on financial budgets approved by management covering a fourteen year period to determine a unit's recoverable amount that is then compared with the carrying value of the assets of that unit.

Calculating value-in-use for each CGU, the following key assumptions were used:

- A pre-tax discount rate of 10% is applied, which represents the Group's weighted average cost of capital.
- Oil price \$US80/BO, adjusted for gravity, transportations fees and regional price differences.
- Gas Price \$US7.00/mcf adjusted for energy content, transportation fees and regional price differentials.
- Lease and well operating costs in line with data obtained from operators.
- Value given to proved and probable reserves, no value for the possible reserve category.

In the analysis of the value-in-use calculation a number of sensitivity assumptions have been incorporated, including the following:

- Sensitivity of oil and gas prices applied. A range of prices from \$US25/BO to \$US140/BO were tested; and
- Breakeven analysis of value-in-use calculations based on estimated future cash flows.

(b) Impact of possible changes in key assumptions

As indicated above, the impairment testing process utilised a range of key assumptions. Given the volatility of the current economic climate, it is possible that market conditions could occur that fall outside the range of sensitivity analysis conducted, the impact of which will continue to be monitored.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the half-year ended 31 December 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### GOING CONCERN

At 31 December 2008 the consolidated entity made a profit of \$26.6 million and had net cash inflows from operating activities of \$17.5 million. The US revolving loan bank facility of \$US38.9 million falls due for repayment on 28 November 2009 and is therefore disclosed as a current liability as at 31 December 2008. This has resulted in the consolidated entity showing a working capital deficiency of \$38 million at report date. The Company is currently in the process of renegotiating the bank facility, and based on the expectation of extending this facility and negotiating new principal and terms of repayment, the Directors consider it appropriate that the financial report be prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

|   | Consolidated |        |
|---|--------------|--------|
|   | 2008         | 2007   |
|   | \$'000       | \$'000 |
| <b>2. REVENUES AND EXPENSES</b>   |              |        |
| <b>Revenues and expenses from continuing operations</b>                             |              |        |
| <b>(a) Revenue</b>  |              |        |
| Oil and gas revenue   | 33,471       | 27,607 |
| Salt water disposal income  | 104          | 123    |
| Equipment hire revenue  | 597          | 495    |
| Gas derivative income   | -            | 530    |
| Administration services income  | 21           | 21     |
| Finance revenue   | 74           | 35     |
|   | 34,267       | 28,811 |
| <b>(b) Other income</b>   |              |        |
| Net gain on sale of available for sale assets                                       | -            | 6,339  |
|   | -            | 6,339  |
| <b>(c) Employee benefits expense</b>  |              |        |
| Share based payments – equity settled   | 73           | -      |
| Salary and wages  | 491          | 69     |
| Other benefits  | 66           | 33     |
|   | 630          | 102    |
| <b>(d) Finance costs - net</b>  |              |        |
| Effective interest rate on bank loans   | 2,850        | 4,052  |
| Amortisation of loan costs  | 205          | 181    |
|   | 3,055        | 4,233  |
| <b>(e) Fair value gain/loss</b>   |              |        |
| Fair value loss/(gain) on derivatives   | (38,833)     | 7,723  |
| <b>(f) Impairment loss</b>  |              |        |
| Fair value decrement on available-for-sale investments in current period            | 1,290        | -      |
| Reversal of fair value decrement held in reserves on available-for-sale investments | 1,366        | -      |
|   | 2,656        | -      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the half-year ended 31 December 2008

|   | 2008<br>Shares<br>No. | 2008<br>\$'000 | 2007<br>Shares<br>No. | 2007<br>\$'000 |
|---|-----------------------|----------------|-----------------------|----------------|
| <b>3. EQUITY SECURITIES ISSUED</b>          |                       |                |                       |                |
| Opening balance                             | 208,424,715           | 66,483         | 181,423,715           | 51,652         |
| Issue of shares                             | -                     | -              | 1,000                 | -              |
| Tax impact of share issue costs             | -                     | (49)           | -                     | 54             |
| On market share buy-back                    | (10,046,508)          | (4,341)        | -                     | -              |
| Closing balance at the end of the half-year | 198,378,207           | 62,093         | 181,424,715           | 51,706         |

|  | Consolidated       |                    |
|--|--------------------|--------------------|
|  | Dec 2008<br>\$'000 | Jun 2008<br>\$'000 |

### 4. AVAILABLE FOR SALE INVESTMENTS

|  |         |         |
|--|---------|---------|
| Listed equity securities               | 652     | 1,948   |
| Opening balance                        | 1,948   | 3,748   |
| Sale of investments / lapse of options | -       | (337)   |
| Fair value adjustment                  | (6)     | (1,463) |
| Impairment write-down                  | (1,290) | -       |
| Closing balance                        | 652     | 1,948   |

|  | Oil and Gas<br>Properties<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Total<br>\$'000 |
|--|-------------------------------------|----------------------------------|-----------------|
|--|-------------------------------------|----------------------------------|-----------------|

### 5. PROPERTY, PLANT AND EQUIPMENT

#### At 31 December 2007

|                          |                |            |                |
|--------------------------|----------------|------------|----------------|
| Cost                     | 178,956        | 821        | 179,777        |
| Accumulated amortisation | (31,936)       | (566)      | (32,502)       |
| <b>Net book value</b>    | <b>147,020</b> | <b>255</b> | <b>147,275</b> |

#### Half-Year ended 31 December 2007

|   |                |            |                |
|---|----------------|------------|----------------|
| Opening net book value                                  | 148,378        | 265        | 149,643        |
| Expenditure incurred during year on existing properties | 12,879         | -          | 12,879         |
| Additions   | -              | 47         | 47             |
| Disposals   | (4,415)        | (3)        | (4,418)        |
| Exchange adjustment                                     | (5,277)        | (26)       | (5,303)        |
| Amortisation / depreciation charge                      | (4,545)        | (28)       | (4,573)        |
| <b>Net book value</b>                                   | <b>147,020</b> | <b>255</b> | <b>147,275</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the half-year ended 31 December 2008

|   | Oil and Gas<br>Properties<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------------|----------------------------------|-----------------|
| <b>5. PROPERTY, PLANT AND EQUIPMENT (continued)</b>     |                                     |                                  |                 |
| <b>At 31 December 2008</b>                              |                                     |                                  |                 |
| Cost  | 255,121                             | 1,210                            | 256,331         |
| Accumulated amortisation                                | (54,323)                            | (703)                            | (55,026)        |
| <b>Net book value</b>                                   | <b>200,798</b>                      | <b>507</b>                       | <b>201,305</b>  |
| <b>Half-Year ended 31 December 2008</b>                 |                                     |                                  |                 |
| Opening net book value                                  | 147,141                             | 291                              | 147,432         |
| Expenditure incurred during year on existing properties | 20,303                              | -                                | 20,303          |
| Additions   | -                                   | 152                              | 152             |
| Disposals   | -                                   | (2)                              | (2)             |
| Exchange adjustment                                     | 57,741                              | 110                              | 57,851          |
| Exploration write-off                                   | (18,168)                            | -                                | (18,168)        |
| Amortisation / depreciation charge                      | (6,219)                             | (44)                             | (6,263)         |
| <b>Net book value</b>                                   | <b>200,798</b>                      | <b>507</b>                       | <b>201,305</b>  |

### 6. DIVIDENDS

No dividends have been declared or paid during the period.

### 7. CONTINGENT LIABILITIES AND COMMITMENTS

There have been no changes in contingent liabilities, contingent assets or commitments since the last annual reporting date, 30 June 2008.

### 8. EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the half-year ended 31 December 2008

### 9. SEGMENT REPORTING

| 2008   | Australia<br>\$'000 | USA<br>\$'000 | Eliminations<br>\$'000 | Consolidated<br>\$'000 |
|--|---------------------|---------------|------------------------|------------------------|
| <b>Segment revenue</b>                       |                     |               |                        |                        |
| Sales to external customers                  | -                   | 34,067        | -                      | 34,067                 |
| Other revenue                                | 70                  | 130           | -                      | 200                    |
| Inter-segment sales                          | 1,820               | -             | (1,820)                | -                      |
| <b>Consolidated revenue</b>                  | <b>1,890</b>        | <b>34,197</b> | <b>(1,820)</b>         | <b>34,267</b>          |
| <b>Segment result</b>                        |                     |               |                        |                        |
| Profit/(loss) before tax                     | (2,307)             | 29,859        | 16                     | 27,568                 |
| Income tax expense                           | 639                 | (1,579)       | -                      | (940)                  |
| <b>Profit / (Loss) for the year</b>          | <b>(1,668)</b>      | <b>28,280</b> | <b>16</b>              | <b>26,628</b>          |
| <b>Segment assets</b>                        | 61,085              | 224,963       | (57,086)               | 228,962                |
| <b>Segment liabilities</b>                   | 3,553               | 154,412       | (61,938)               | 96,027                 |
| <b>Other segment information</b>             |                     |               |                        |                        |
| Exploration write-off                        | -                   | 18,168        | -                      | 18,168                 |
| Depreciation and amortisation expense        | 21                  | 6,252         | -                      | 6,273                  |
| Impairment of assets                         | 2,656               | -             | -                      | 2,656                  |
| Acquisition of property, plant and equipment | 1                   | 5,266         | -                      | 5,267                  |
| <b>Cash flow information</b>                 |                     |               |                        |                        |
| Net cash inflow from operating activities    | (1,327)             | 18,827        | -                      | 17,500                 |
| Net cash outflow from investing activities   | (8,602)             | (20,814)      | 8,500                  | (20,916)               |
| Net cash outflow from financing activities   | (4,341)             | (13,069)      | -                      | (17,410)               |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2008

### 9. SEGMENT REPORTING (continued)

| 2007   | Australia<br>\$'000 | USA<br>\$'000 | Eliminations<br>\$'000 | Consolidated<br>\$'000 |
|--|---------------------|---------------|------------------------|------------------------|
| <b>Segment revenue</b>                       |                     |               |                        |                        |
| Sales to external customers                  | 25                  | 28,786        | -                      | 28,811                 |
| Other revenue                                | 450                 | 5,889         | -                      | 6,339                  |
| Inter-segment sales                          | 1,708               | -             | (1,708)                | -                      |
| <b>Consolidated revenue</b>                  | <b>2,183</b>        | <b>34,675</b> | <b>(1,708)</b>         | <b>35,150</b>          |
| <b>Segment result</b>                        |                     |               |                        |                        |
| (Loss) / Profit before tax                   | (6,218)             | 7,830         | -                      | 1,612                  |
| Income tax benefit                           | (351)               | 463           | -                      | 112                    |
| <b>(Loss) / Profit for the year</b>          | <b>(6,569)</b>      | <b>8,293</b>  | <b>-</b>               | <b>1,724</b>           |
| <b>Segment assets</b>                        | 57,736              | 165,479       | (71,389)               | 151,826                |
| <b>Segment liabilities</b>                   | 3,014               | 129,368       | (33,475)               | 98,907                 |
| <b>Other segment information</b>             |                     |               |                        |                        |
| Share of net losses of associates            | 7,236               | -             | -                      | 7,236                  |
| Depreciation and amortisation expense        | 14                  | 4,564         | -                      | 4,578                  |
| Acquisition of property, plant and equipment | 12                  | 35            | -                      | 47                     |
| <b>Cash flow information</b>                 |                     |               |                        |                        |
| Net cash inflow from operating activities    | (1,149)             | 15,825        | -                      | 14,676                 |
| Net cash outflow from investing activities   | 3,380               | (5,876)       | (2,912)                | (5,408)                |
| Net cash inflow from financing activities    | (2,500)             | (7,502)       | -                      | (10,002)               |

#### Description of segments

##### (a) Geographical segments

The consolidated entity operates in two primary geographical segments:

- Acquisition and development of properties for the production of oil and gas in the United States of America.
- Exploration for oil and gas in the Savory Basin in Western Australia.

This is the primary reporting format of the Amadeus group.

##### (b) Industry segments

The consolidated entity operates predominately in the exploration and development of properties. More than 95% of revenue, operating and segment assets relate to operations in this industry.

## DIRECTORS' DECLARATION

In the Directors opinion:

- (a) The financial statements of the consolidated entity are in accordance with the Corporations Act 2001; including;
  - I. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - II. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date.
- (b) There are reasonable grounds to believe that Amadeus Energy Limited will be able to pay its debts as and when they become due and payable.

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



**Hon Andrew S. Peacock AC**  
Non-Executive Chairman

Perth, Western Australia

Dated this 26th day of February 2009



BDO Kendalls

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**ABN 79 112 284 787**

26 February 2009

Amadeus Energy Limited  
Board of Directors  
Amadeus Energy Limited  
Level 11, 225 St Georges Tce  
PERTH WA 6000

Dear Sirs

**DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF AMADEUS ENERGY LIMITED**

As lead auditor of Amadeus Energy Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Amadeus Energy Limited and the entities it controlled during the period.

**Peter Toll**  
Director

*BDO Kendalls*

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



## **INDEPENDENT AUDITOR'S REVIEW REPORT**

To the Members of Amadeus Energy Limited

We have reviewed the accompanying half-year financial report of Amadeus Energy Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Amadeus Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

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

**Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**

BDO Kendalls  


**Peter Toll**  
Director

Dated this 26<sup>th</sup> Day of February 2009  
Perth, Western Australia