



GEOFFREY TOWNER

MANAGING DIRECTOR'S REPORT

Dear Shareholders,

This is the Company's 13th year as an oil and gas producer and explorer and while there have been fluctuations in oil and gas prices over that period, none have been on the scale of the extreme price volatility seen over the 12 months to 30 June 2009.

Production for the year of 458,092 barrels of oil and 1.6 BCF of gas was only slightly down on FY08 (down 3% and 2% respectively). This was a strong result considering the Company's development and exploration programs were significantly curtailed during the second half of the year as a result of low oil and gas prices. Of the US\$17.3 million that was spent on exploration and development for the year, the significant majority was committed to in the first half of the reporting period.

The sharp decline in prices necessitated the temporary suspension of production of approximately 50 oil wells that were uneconomical at low prices. While this had an adverse impact on production levels, those wells only account for a small percentage of the Company's overall production. At the time of writing, most of these wells have recommenced production as a result of improving prices.

An amount of US\$25 million had originally been budgeted for exploration and development activities for the year but as prices retreated this was scaled back to US\$17.3 million, representing a 31% decrease on the original budget and an 18% decrease on financial year 2008 spend of US\$21 million. While this reduction in activity will have a knock-on effect to production levels and reserves it is pleasing to note that by year end prices had improved to the extent that some of our development and exploration programs have recommenced.

During the year we drilled 31 new wells, 19 of which were completed for production. This represents a success rate of 61%. These new wells have been successful in offsetting some of the impact of price related issues.

Our exploration efforts were well rewarded on the Longville project in Louisiana where 4 out of 6 wells that we drilled between November 2008 and March 2009 were completed for production. At year end these wells were producing approximately 900 BOE per day (100%). Amadeus' net share of the wells averages 26% so the wells and their associated production and reserves are a significant discovery for us.





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Exploration success was also recorded on the Falcon Project in Louisiana with the LaStrapes 1 well being completed for production, and on the Hallettsville and Raccoon Bend Projects in Texas where we drilled a total of 10 wells, 8 of which have been completed and are now on production.

Your Company's property portfolio was further expanded in October 2008 when Amadeus acquired a 25% working interest in the Sherwood Shoreline Project in North Dakota, through an agreement with Reeder Energy Partners of Dallas.

The project is on the North East flank of the Williston Basin and it is targeting the Mississippian Mission Canyon formation which has already produced over 19 million barrels of oil.

One well was drilled in this project area in December 2008 and while the well exhibited signs of oil and gas, it was decided not to complete it. There are several more prospects to be drilled in this project area which are collectively targeting gross reserves of up to 7 million barrels of oil and 7 billion cubic feet of gas.

In August 2008 the Company further strengthened its management team through the appointment of Betty Dieter as President of Amadeus Petroleum Inc. This followed the appointment in April 2008 of Mitchell Wells as Chief Operating Officer. Shareholders will have noted that the Company has been positioning itself to more directly and proactively manage its portfolio of assets. Your Company continues to move towards more direct operational oversight of its assets and this in turn will lead to more aggressive implementation of the Company's development and exploration programs.

Since her appointment Ms Dieter has established a small Amadeus office in Denver and has brought in-house a number of functions that have historically been performed by third party consultants. I would like to thank both Mr Wells and Ms Dieter for the work they have done over the year.

In June 2009 the Company extended its syndicated bank debt facilities through to 2011. In connection with the extension, the Company entered into oil and gas commodity hedges in calendar years 2010 and 2011. The hedges will provide average price protection of US\$67 BO/US\$6.00 MCF over approximately 35% of projected 2010 production and US\$70 BO/US\$6.80 MCF over approximately 30% of projected 2011 production. This prudent measure will ensure that the Company is positioned to deal with future volatility in commodity prices. The Company has also committed to making debt reduction repayments of at least US\$9 million over the next 12 months.

In March 2009 the outcomes of an extensive strategic and corporate review were released. The review made several recommendations some of which are now in the process of being instigated. I look forward to reporting more developments to you over the next 12 months as we continue to grow the business and implement operational developments and enhancements that will further add to the overall profitability and value of the business.

Looking ahead, we hope to see continued strengthening in oil and gas prices during FY10 and beyond.

Thank you for your continued support.

GEOFFREY TOWNER
Managing Director