ERONGO ENERGY
LIMITED

(ABN 50 114 175 138)

Financial Report
For the Half-Year Ended
31 December 2008

CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN
Ron Gajewski

MANAGING DIRECTOR
Mark Gasson

NON-EXECUTIVE DIRECTOR
Patrick Flint

COMPANY SECRETARY
Paul Jurman

PRINCIPAL & REGISTERED OFFICE
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STOCK EXCHANGE LISTING
Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
Code: ERN
ERNO

WEBSITE
www.erongoenergy.com.au

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

Ron Gajewski
Mark Gasson
Patrick Flint

RESULTS

The consolidated loss for the half year after tax was $688,720 (2007: $564,171).

REVIEW OF OPERATIONS

During the half year the Company continued exploring in its uranium and mineral sands projects in Namibia.

Erongo Granites Uranium Project *(ERN: 90%)*

The Erongo Granites project consists of two granted tenements (EPLs 3453 and 3454) covering approximately 415 sq kms located to the south and north of the Erongo Complex in mid central Namibia. The Company is targeting intrusive style granite-hosted uranium mineralisation.

During the period the Company completed an RC drilling programme on four prospective target areas (Area 3N, Area 3, Area 5 and Area 6) identified in the regional programme of field mapping and ground scintillometer surveys. Thirteen holes were drilled for a total of 703 metres. Uranium mineralisation was intersected in three of the target areas, although the widths of the mineralisation are considered insufficient to warrant follow up drilling at this stage.

The Company also completed a downhole geophysical logging programme on ten diamond holes drilled in a radioactively anomalous area by Goldfields and Falconbridge in the 1970’s and early 1980’s at the Area 2 Prospect for which no assay results were available. Mineralisation is interpreted to be confined to an area of roughly 300m x 150m, varies in thickness from 2.5m to 6.5m and occurs within a flat undulating layer 10 to 40m below surface.

Previous drilling by the Company in 2007 at the Area 1 Prospect confirmed a main zone of uranium mineralization over an area of 1,000 metres by 1,000 metres. The uranium mineralization includes an area of higher grade mineralisation covering 600 metres by 300 metres. During the period the Company assessed all drilling results to date and investigated alternative screening methods which could potentially upgrade the mineralisation at the Area 1 Prospect. Preliminary results received from density separation studies completed on RC material from Area 1 indicated the material could potentially be upgraded. The Company is considering completing further work on drill samples or on a bulk sample to complete this study.

Spitzkoppe Uranium Project *(ERN: 90%)*

The Spitzkoppe project consists of two tenements (EPLs 3477 and 3523) covering approximately 505 sq kms and lies approximately 25 kms to the west of the Erongo Granites Project. The Company is targeting secondary calcrete-hosted mineralisation as well as granite-hosted mineralisation. Both tenements lie within an ancient drainage system downslope from surrounding granites elevated in uranium.

During the period a number of radiometric anomalies identified previously on both EPL's 3477 and 3523 were investigated in the field. Several high order radiometric anomalies were identified in primary granite exposures. Follow up work is being planned.

Koichab Mineral Sands Project (ERN: 70%)

The Koichab Heavy Mineral Sands project covers an area of approximately 2,000 sq kms and is located approximately 100km to the north east of the coastal port town of Luderitz in south western Namibia. The Company is targeting heavy mineral sands in a typical dune field. The dunes extend over an area of 90 kms by 20 kms and range from heights of between 50 metres to up to 280 metres.

During the quarter Allied Mineral Services in Perth, Australia completed a preliminary heavy mineral analysis of samples from previous pitting and the auger test programme to determine the contents of the heavy mineral suite. Results indicated that samples with a heavy mineral grade of 10-12% have higher magnetite and hematite levels than those normally seen in mineral sands deposits and have good potential for an iron ore deposit.

Further testwork on a 15kg sample (containing 7.8% heavy minerals) was then completed with the objective of better understanding the economic potential of the heavy minerals present. This testwork included assessing whether economic quantities of magnetite with low Titanium content can be recovered from the dunes. Preliminary results indicated TiO_2 generally occurs as intergrowths within the Fe_2O_3 matrix, which limits separation and means the principal end products from a development of the project will be Ti-rich magnetite and ilmenite. Reasonable concentrations of ZrO_2 were also recovered during the testwork (and would be a bi-product of any mining operation).

Other Projects

The Company also reviewed a number of new project opportunities with the objective of expanding its asset portfolio. The Company investigated mineral project opportunities located in Africa, South America and Australia.

LEAD AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration for the period ended 31 December 2008 has been received and can be found on page 4 of this report. The declaration forms part of this directors' report.

Signed in accordance with a resolution of the Board of Directors.

Ron Gajewski
Chairman **Perth, 6 March 2009**

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ERONGO ENERGY LIMITED

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditors' Independence Declaration

As lead auditor for the review of the financial report of Erongo Energy Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Erongo Energy Limited.

Perth, Western Australia	**N G NEILL**
6 March 2008	**Partner, HLB Mann Judd**

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CONDENSED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	NOTE	CONSOLIDATED 31 December 2008	CONSOLIDATED 31 December 2007
REVENUES			
Interest income		90,232	129,401
EXPENSES			
Exploration expenditure written off		(310,780)	-
Legal, regulatory and compliance expenses		(108,699)	(104,787)
Advertising and promotion		(29,561)	(65,524)
Directors, staff and consulting expenses		(233,045)	(388,866)
Administration expenses		(51,144)	(143,215)
Doubtful debts expense		(28,956)	-
Depreciation and amortisation expense		(16,767)	(1,764)
Loss before income tax		**(688,720)**	**(574,755)**
Income Tax Benefit / (Expense)		**-**	**-**
NET LOSS FOR THE PERIOD		**(688,720)**	**(574,755)**
Attributable to:			
Minority Interest		**-**	**(10,584)**
Members of the Parent		**(688,720)**	**(564,171)**
Loss Per Share			
Basic loss per share (cents per share)	4	1.33	1.10
Diluted loss per share (cents per share)	4	1.33	1.10

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2008

	NOTE	CONSOLIDATED 31 December 2008 $	CONSOLIDATED 30 June 2008 $
CURRENT ASSETS			
Cash and cash equivalents		2,374,226	2,819,021
Trade and other receivables		43,047	130,432
TOTAL CURRENT ASSETS		2,417,273	2,949,453
NON CURRENT ASSETS			
Plant and equipment	3	155,475	152,348
Deferred exploration and evaluation expenditure	2	3,848,289	3,707,832
TOTAL NON CURRENT ASSETS		4,003,764	3,860,180
TOTAL ASSETS		**6,421,037**	**6,809,633**
CURRENT LIABILITIES			
Trade and other payables		128,060	147,289
TOTAL CURRENT LIABILITIES		128,060	147,289
TOTAL LIABILITIES		**128,060**	**147,289**
NET ASSETS		**6,292,977**	**6,662,344**
EQUITY			
Issued capital	5	9,623,304	9,623,304
Foreign currency translation reserve		(147,472)	(371,169)
Option premium reserve	6	2,607,600	2,511,944
Accumulated losses		(5,790,455)	(5,101,735)
TOTAL EQUITY		**6,292,977**	**6,662,344**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	CONSOLIDATED 31 December 2008 $	CONSOLIDATED 31 December 2007 $
Cash Flows from Operating Activities		
Payments to suppliers and employees	(336,755)	(650,979)
Interest received	82,319	119,192
Net cash used in operating activities	(254,436)	(531,787)
Cash Flows From Investing Activities		
Cash receipt for disposal of subsidiary	95,890	-
Payments for exploration and development expenditure	(284,101)	(909,959)
Purchase of plant and equipment	(2,148)	(87,368)
Net cash used in investing activities	(190,359)	(997,327)
Cash Flows from Financing Activities		
Proceeds from issue of shares and options	-	481,716
Net cash provided by financing activities	-	481,716
Net decrease in cash held	(444,795)	(1,047,398)
Cash and cash equivalents at beginning of financial period	2,819,021	4,723,813
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	-	(11,232)
Cash and cash equivalents at end of financial period	**2,374,226**	**3,665,183**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR PERIOD ENDED 31 DECEMBER 2008

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Premium Reserve	Total	Minority Interest	Total
	$	$	$	$	$	$	$
At the beginning of financial period 1 July 2007	9,100,108	(3,901,150)	32,966	2,385,000	7,616,924	(2,841)	7,614,083
Issue of share capital	30,000	-	-	-	30,000	-	30,000
Conversion of options	481,716	-	-	-	481,716	-	481,716
Loss for the period attributable to members of the parent entity	-	(564,171)	-	-	(564,171)	-	(564,171)
Fair value of options issued	-	-	-	19,484	19,484	-	19,484
Foreign Currency translation reserve	-	-	(7,515)	-	(7,515)	-	(7,515)
Profit attributable to minority interest	-	-	-	-	-	(10,584)	(10,584)
Balance at 31 December 2007	**9,611,824**	**(4,465,321)**	**25,451**	**2,404,484**	**7,576,438**	**(13,425)**	**7,563,013**

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Premium Reserve	Total
	$	$	$	$	$
At the beginning of financial period 1 July 2008	9,623,304	(5,101,735)	(371,169)	2,511,944	6,662,344
Loss for the period attributable to members of the parent entity	-	(688,720)	-	-	(688,720)
Fair value of options issued	-	-	-	95,656	95,656
Foreign Currency translation reserve	-	-	223,697	-	223,697
Balance at 31 December 2008	**9,623,304**	**(5,790,455)**	**(147,472)**	**2,607,600**	**6,292,977**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Erongo Energy Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

2. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE (NON -CURRENT)

	CONSOLIDATED	
	31 December 2008 $	**30 June 2008 $**
Exploration and evaluation costs (including acquisition costs) carried forward		
- Opening balance	3,707,832	2,611,440
- Exploration expenditure incurred on acquiring assets	-	84,626
- Exploration expenditure incurred during the period	252,634	1,370,125
- Exploration expenditure written off	(310,780)	(42,305)
- Foreign exchange effects	198,603	(316,054)
	3,848,289	**3,707,832**

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

3. PLANT & EQUIPMENT

Movement in carrying amounts		
Opening balance	152,348	160,252
Additions	2,148	67,765
Disposals	(4,428)	(466)
Depreciation	(16,767)	(35,190)
Translation difference movement	22,174	(40,013)
Closing balance	**155,475**	**152,348**

4. LOSS PER SHARE

	CONSOLIDATED	
	31 December 2008 cents	**31 December 2007 cents**
Basic earnings / (loss) per share	(1.33)	(1.10)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	51,731,408	51,072,245

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decreased net loss per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

5. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 December 2008 $	30 June 2008 $
(a) Issued and paid-up share capital		
51,731,408 (30 June 2008: 51,731,408) ordinary shares, fully paid	9,623,304	9,623,304

(b) Share Options

Options to take up ordinary shares in the capital of the Company have been granted as follows:

Exercise Period	Exercise Price	Opening Balance 1 July 2008 Number	Options Issued 2008/09 Number	Options Exercised/ Cancelled/ Expired 2008/09 Number	Closing Balance 31 December 2008 Number
On or before 30 April 2009	$0.20	27,648,591	-	-	27,648,591
On or before 30 November 2010	$0.60	2,250,000	-	-	2,250,000
		29,898,591	-	-	29,898,591

6. OPTION PREMIUM RESERVE

	CONSOLIDATED	
	31 December 2008 $	30 June 2008 $
Movements during the period:		
Balance at beginning of period	2,511,944	2,385,000
Amortisation of share option value	95,656	126,944
Balance at end of period	**2,607,600**	**2,511,944**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

7. SEGMENT INFORMATION

(a) Primary Segment - Geographical Segments

The Consolidated Entity has the following geographical segments:

Australia
Australia is the location of the Company's central management and administration.

Namibia
Namibia is the location of the Company's uranium interests.

31 December 2008			**Total**
	$	**$**	**$**
Primary Reporting – Geographical Segments	Australia	Namibia	Consolidated
Revenues from ordinary activities	90,221	11	90,232
Segment result (loss)	(308,045)	(380,675)	(688,720)
Segment assets	2,394,275	4,026,762	6,421,037
Segment liabilities	128,060	-	128,060

31 December 2007			**Total**
	$	**$**	**$**
Primary Reporting – Geographical Segments	Australia	Namibia	Consolidated
Revenues from ordinary activities	128,110	1,291	129,401
Segment result (loss)	(480,272)	(83,899)	(564,171)
Segment assets	6,428,428	1,549,097	7,977,525
Segment liabilities	161,678	252,834	414,512

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

8. COMMITMENTS

The Company has a 90% interest in Erongo Energy Namibia (Pty) Ltd ("EEN"), which is the holder of the licences for the Erongo Granites and Spitzkoppe uranium projects. The Company is required to fund exploration to completion of a feasibility study. Upon completion of a detailed feasibility study the Company is required to acquire the remaining 10% interest in EEN by payment of the following amount(s):

- If the uranium price is less than US$50/1b, 5% of the Project NPV;
- if the uranium price is between US$50 and US$100/1b, 6.25% of the Project NPV;
- if the uranium price is greater than US$100 and less than US$125/1b, 7.5% of the Project NPV; and
- if the uranium price is US$125/1b or more, 10% of the Project NPV, (the Consideration).

Payment of the Consideration will be in cash in accordance with the following timetable:

- 5% of the Project NPV **(First Payment)** within 10 Business Days of completion of the Detailed Feasibility Study, receipt of all necessary approvals to proceed to development of the Project and securing of finance to proceed to development of the Project; and
- the balance (if any) will be paid over ten years commencing six months after the First Payment is made (twenty equal payments to be made on a six monthly basis over ten years). Each of these payments will be adjusted for the annualised inflation effect on the currency in which payments made.

The Company will also pay a royalty equal to 1% of the net smelter return on any future uranium production from the Erongo Granites and Spitzkoppe uranium projects.

The Company has a 70% interest in Flamingo Minerals (Pty) Ltd ("Flamingo"), which is the beneficial holder of the licences for the Koichab mineral sands project. The Company is required to fund exploration to completion of a feasibility study.

Upon completion of a feasibility study the Company is required to acquire a further 20% interest in Flamingo by payment of the following amount(s):

- such amount equal to 7.5% of the Project NPV **(First Payment)** within 10 Business Days of completion of the Feasibility Study, receipt of all necessary approvals to proceed to development of the Project and securing of finance to proceed to development of the Project; and
- such amount equal to 12.5% of the Project NPV over ten years commencing six months after the First Payment is made (twenty equal payments to be made on a six monthly basis over ten years). Each of these payments will be adjusted for the annualised inflation effect on the currency in which payments made**.**

The Company is also required to fund the holder of the remaining 10% interest in Flamingo to commencement of production.

9. CONTINGENT LIABILITIES

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

10. SUBSEQUENT EVENTS

No event has arisen since 31 December 2008, that would be likely to materially affect the operations of the consolidated entity, or its state of affairs not otherwise disclosed in the entity's financial report.

ERONGO ENERGY LIMITED
ABN 23 101 049 334

DIRECTORS' DECLARATION
For the Half Year Ended 31 December 2008

In the opinion of the directors of Erongo Energy Limited ("the Company"):

1. The financial statements and notes, as set out on pages 5 to 13 are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date.

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

Ron Gajewski
Chairman

PERTH
Dated this 6th day of March 2009

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of
Erongo Energy Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2008, the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of Erongo Energy Limited and the entities it controlled during the half-year ended 31 December 2008 ("consolidated entity").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 controls 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 Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the consolidated entity's financial position as at 31 December 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 Erongo 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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Erongo Energy Limited on 6 March 2009.

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 Erongo 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 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 the *Corporations Regulations 2001*.

HLB MANN JUDD
Chartered Accountants

N G NEILL
Partner

Perth, Western Australia
6 March 2009