ERONGO ENERGY LIMITED

(ABN 50 114 175 138)

Financial Report For the Half-Year Ended 31 December 2009

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 Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: ERN

WEBSITE
www.erongoenergy.com.au

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2009. 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 $237,546 (2008: $688,720).

REVIEW OF OPERATIONS

Erongo Granites and Spitzkoppe Uranium Projects *(ERN: 90%)*

The Erongo Granites project consists of two tenements (EPLs 3453 and 3454) covering approximately 312 sq kms located to the south and north of the Erongo Complex in mid central Namibia. The Spitzkoppe project consists of two tenements (EPLs 3477 and 3523) covering approximately 505 sq kms located approximately 25 kms to the west of the Erongo Granites Project. The Company is targeting intrusive style granite-hosted uranium mineralisation as well as secondary calcrete-hosted uranium mineralisation.

Previous drilling by the Company at the Area 1 Prospect (EPL 3454) within the Erongo Granites Project confirmed a main zone of uranium mineralization over an area of 1,000 metres by 1,000 metres which is open at depth and along strike and includes an area of higher grade mineralisation covering 600 metres by 300 metres.

The Company is of the opinion that the best potential for significant additional uranium resources on the project lie at depth at the Area 1 target area and in the relatively unexplored nearby Area 2 and Area 3 target areas which will incur high costs to explore. Due to the high costs involved in carrying out this next phase of exploration the Company has been in discussions with various parties that have expressed an interest in farming-in to the project. These discussions are continuing.

The Company also worked on the renewal of the licences with the Namibian Department of Minerals and Energy during the period. Conditions for licence renewal as set out in the Namibian Mining Act were satisfied and the renewal applications were submitted in accordance with regulatory requirements. The Company is however experiencing delays in obtaining confirmation of the renewal of the licences.

Other Projects

During the period the Company continued to actively review new project opportunities in order to identify a significant project to take the Company forward. Although the main focus was on uranium projects in highly prospective terrains in central, western and southern Africa, the Company also reviewed projects prospective for precious and base metals in Africa and South America.

The Directors have also undertaken measures to reduce expenditures in order to conserve the Company's cash reserves, including the reduction of Director remuneration.

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

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2009.

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

Ron Gajewski
Chairman **Perth, 11 March 2010**

Scientific or technical information has been prepared by Mr Mark Gasson, the Managing Director of the Company and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Gasson has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr Gasson consents to the inclusion in this report of the Information, in the form and context in which it appears.

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Erongo Energy Limited for the half-year ended 31 December 2009, 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 and the entities it controlled during the period.

Perth, Western Australia
11 March 2010

L DI GIALLONARDO
Partner, HLB Mann Judd

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	NOTE	CONSOLIDATED 31 December 2009 $	31 December 2008 $
CONTINUING OPERATIONS			
REVENUES			
Interest income		39,684	90,232
EXPENSES			
Exploration expenditure written off		(3,000)	(310,780)
Legal, regulatory and compliance expenses		(67,890)	(108,699)
Advertising and promotion		(1,043)	(29,561)
Directors, staff and equity compensation expenses		(143,844)	(233,045)
Administration expenses		(45,730)	(51,144)
Doubtful debts expense		-	(28,956)
Depreciation and amortisation expense		(15,723)	(16,767)
Loss before income tax expense		**(237,546)**	**(688,720)**
Income Tax Benefit / (Expense)		**-**	**-**
NET LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(237,546)**	**(688,720)**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences on translation of foreign operations		(122,945)	223,697
Income tax relating to components of other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**(122,945)**	**223,697**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(360,491)**	**(465,023)**
Loss Per Share			
Basic loss per share (cents per share)	4	(0.46)	(1.33)
Diluted loss per share (cents per share)	4	(0.46)	(1.33)

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	NOTE	CONSOLIDATED 31 December 2009 $	30 June 2009 $
CURRENT ASSETS			
Cash and cash equivalents		1,867,452	2,118,294
Trade and other receivables		13,166	17,139
TOTAL CURRENT ASSETS		1,880,618	2,135,433
NON CURRENT ASSETS			
Plant and equipment	3	118,422	144,932
Exploration and evaluation expenditure	2	3,630,513	3,689,255
TOTAL NON CURRENT ASSETS		3,748,935	3,834,187
TOTAL ASSETS		**5,629,553**	**5,969,620**
CURRENT LIABILITIES			
Trade and other payables		25,788	35,110
TOTAL CURRENT LIABILITIES		25,788	35,110
TOTAL LIABILITIES		**25,788**	**35,110**
NET ASSETS		**5,603,765**	**5,934,510**
EQUITY			
Issued capital	5	9,623,304	9,623,304
Foreign currency translation reserve		(211,589)	(88,644)
Option premium reserve	6	2,673,000	2,643,254
Accumulated losses		(6,480,950)	(6,243,404)
TOTAL EQUITY		**5,603,765**	**5,934,510**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED	
	31 December 2009 $	31 December 2008 $
Cash Flows from Operating Activities		
Payments to suppliers and employees	(243,512)	(336,755)
Interest received	43,357	82,319
Net cash used in operating activities	(200,155)	(254,436)
Cash Flows From Investing Activities		
Cash receipt for disposal of subsidiary	-	95,890
Payments for exploration and development expenditure	(50,687)	(284,101)
Purchase of plant and equipment	-	(2,148)
Net cash used in investing activities	(50,687)	(190,359)
Cash Flows from Financing Activities		
Proceeds from issue of shares and options	-	-
Net cash provided by financing activities	-	-
Net decrease in cash held	(250,842)	(444,795)
Cash and cash equivalents at beginning of financial period	2,118,294	2,819,021
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	-	-
Cash and cash equivalents at end of financial period	**1,867,452**	**2,374,226**

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	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)
Exchange differences arising on translation of foreign operations	-	-	223,697	-	223,697
Total comprehensive loss for the period		(688,720)	223,697		(465,023)
Fair value of options issued	-	-	-	95,656	95,656
Balance at 31 December 2008	**9,623,304**	**(5,790,455)**	**(147,472)**	**2,607,600**	**6,292,977**

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Premium Reserve	Total
	$	$	$	$	$
At the beginning of financial period 1 July 2009	9,623,304	(6,243,404)	(88,644)	2,643,254	5,934,510
Loss for the period attributable to members of the parent entity	-	(237,546)	-	-	(237,546)
Exchange differences arising on translation of foreign operations	-	-	(122,945)	-	(122,945)
Total comprehensive loss for the period		(237,546)	(122,945)		(360,491)
Fair value of options issued	-	-	-	29,746	29,746
Balance at 31 December 2009	**9,623,304**	**(6,480,950)**	**(211,589)**	**2,673,000**	**5,603,765**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim 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 2009 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Basis of preparation

The interim 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 interim 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 2009 annual financial report for the financial year ended 30 June 2009.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2009.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2009, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009.

During the current period, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Business combinations – revised AASB 3 Business Combinations
- Segment reporting – new AASB 8 Operating Segments

Principles of Consolidation

AASB 127 (revised) required the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must be remeasured to fair value and a gain or loss is recognizes in profit or loss. This is consistent with the entity's previous accounting policy if significant influence is not retained.

The Group will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as none of the non-controlling interests have a deficit balance. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity, no transactions with non-controlling interests and no dividends paid out of pre-acquisition profits.

Business Combinations

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments included at their respective fair values. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of the acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial recognition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

Segment Reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Erongo Energy Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1. *STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2009. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore no change necessary to Group accounting policies

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

	CONSOLIDATED	
	31 December 2009 $	**30 June 2009 $**
Exploration and evaluation costs (including acquisition costs) carried forward		
- Opening balance	3,689,255	3,707,832
- Exploration expenditure incurred during the period	50,687	198,864
- Exploration expenditure written off	(3,000)	(479,295)
- Foreign exchange effects	(106,429)	261,854
	3,630,513	**3,689,255**

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	144,932	152,348
Additions	-	2,254
Disposals	-	(4,646)
Depreciation	(15,723)	(34,240)
Translation difference movement	(10,787)	29,216
Closing balance	**118,422**	**144,932**

4. LOSS PER SHARE

	CONSOLIDATED	
	31 December 2009 cents	**31 December 2008 cents**
Basic earnings / (loss) per share	(0.46)	(1.33)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	51,731,408	51,731,408

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 2009

5. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 December 2009 $	30 June 2009 $
(a) Issued and paid-up share capital		
51,731,408 (30 June 2009: 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 2009 Number	Options Issued 2009/10 Number	Options Exercised/ Expired 2009/10 Number	Closing Balance 31 December 2009 Number
On or before 30 November 2010	$0.60	2,250,000	-	-	2,250,000

6. OPTION PREMIUM RESERVE

	CONSOLIDATED	
	31 December 2009 $	30 June 2009 $
Movements during the period:		
Balance at beginning of period	2,643,254	2,511,944
Amortisation of share option value	29,746	131,310
Balance at end of period	**2,673,000**	**2,643,254**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

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 2009			**Total**
	$	**$**	**$**
Primary Reporting – Geographical Segments	Australia	Namibia	Consolidated
Revenues from ordinary activities	39,679	5	39,684
Segment result (loss)	(190,640)	(46,906)	(237,546)
31 December 2009			
Segment assets	4,145,657	1,483,896	5,629,553
Segment liabilities	25,788	-	25,788

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)
30 June 2009			
Segment assets	4,582,567	1,387,053	5,969,620
Segment liabilities	35,110	-	35,110

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.

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 2009, 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 14 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 2009 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 11th day of March 2010

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 statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Erongo Energy Limited and the entities it controlled during the half-year ended 31 December 2009 ("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 2009 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.

Independence

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

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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 as at 31 December 2009 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

Perth, Western Australia
11 March 2010

L DI GIALLONARDO
Partner