AMADEUS
ENERGY LIMITED

Commentary on Results

OPERATIONAL RESULTS SUMMARY

* Oil production of 427,370 BBLs
* Gas production of 1,304,405 MCF
* Lifting costs of US$12.19 per BOE
* Bank debt reduced by $US11 million
* TNT Engineering Inc acquired in December 2009
* Bank debt refinanced in May 2010

FINANCIAL RESULTS SUMMARY

Year ended 30 June (all results in AUD)	**Note**	**2010** **$ million**	**2009** **$ million**
Revenue from operations	1.1	**44.3**	54.4
Lifting costs	1.2	**(13.4)**	(15.5)
EBITDA from operations	1.4	**25.5**	31.0
Non cash items			
- fair value gain / (loss) on hedges	1.5	**1.5**	34.9
- depreciation / amortisation	1.5	**(15.1)**	(13.9)
- exploration write-off	1.5	**(1.9)**	(24.0)
- deferred tax benefit / (expense)	1.5	**1.9**	(12.2)
- impairment loss	1.5	**(5.4)**	(2.7)
Interest expense	1.6	**(5.2)**	(5.9)
NPAT (Net Profit/(Loss) After Tax)	1.7	**(0.4)**	7.1
Net profit before non-cash items **	1.7	**18.8**	24.4
Cashflow from operating activities	3	**19.3**	29.6

*** Adjusted for non-cash fair value of derivatives, income tax expense/benefit, exploration write off, impairment loss and amortisation charges.*

1.1. Revenue from Operations

Sales: Net sales from oil and gas in USD terms (after payment of all royalties) was steady at $US37.2 million compared to $US37.6 million in the previous year. Gross margins from the US operations averaged 70% for the year (2009: 71%). In terms of AUD, oil and gas sales revenue dropped this period by 17% compared to the previous year. The variance can be explained as follows:

- 9% up due to oil price increases;
- 10% down due to lower overall volumes of both oil and gas; and
- 16% down due to the higher AUD:USD exchange rate.

Volume – Sales of Oil and Gas: Amadeus sold 427,370 BBLs (net after federal, state and land-owner royalties) for the year, down 7% from the 458,092 BBLs sold in the prior year. The reduction in oil sales was due to a number of factors, including a reduction in exploration and development activities in the second half of the year and a number of Kansas wells were shut-in when oil prices were at low levels.

Net gas sales dropped by 19% from 1,600,551 MCF to 1,304,405 MCF. The reduction in gas sales is primarily due to reservoir depletion on the Halletsville project in Texas and to lack of new production coming on-line due to reduced exploration activity during the period.

Production is distributed among the various producing areas as follows:

Project	Gas Volume MCF	% of Total	Oil Volume BO	% of Total
Kansas	22,910	2%	207,232	49%
Louisiana	286,877	22%	10,663	2%
Oklahoma	-	-%	14,845	3%
Texas	994,618	76%	194,630	46%
Total	1,304,405	100%	427,370	100%

Price: Average prices received for the reporting period higher for oil and lower for gas compared to the prior corresponding period.

Average price received in 12 months to 30 June (before hedges)	2010 US$	2009 US$
Oil (average sales price per BO)	71.23	59.96
Gas (average sales price MCF)	5.17	6.34

Exchange Rate: The higher average Australian dollar against the US dollar has had a negative 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	30 Jun 2010	30 Jun 2009
Income statement (average rate)	0.8823	0.7478
Balance sheet	0.8567	0.8048

1.2. Lifting Costs

US Direct Operating Costs: Gross margin from the core oil and gas business was 70%, (excludes the non-cash amortisation and depreciation charges), which is consistent with the previous corresponding period of 71%. Average direct lifting costs/BOE have risen because the overall volumes are down 11% on a BOE basis year on year.

	30 Jun 2010 US$	30 Jun 2009 US$
Direct lifting costs/BOE (barrels of oil equivalent)	$12.19	$10.12

1.3. Other Expenses

Hedging

Approximately 52% of oil and 16% of gas production was hedged for the period. (2009: 71% of oil and nil% of gas). All hedge income this period relates to the gas hedges in place and the hedge expense is related to the oil hedges.

	30 Jun 2010 $'000	30 Jun 2009 $'000
Hedge income	(199)	(1,859)
Hedge expense	823	3,997
Net cash outflow from hedging activities	624	2,138

Administration Costs

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 the head office in Perth.

	30 Jun 2010 $'000	30 Jun 2009 $'000
Administration	2,549	2,611

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

EBITDA from operations was $25.4 million, which is 21% lower than the $31.0 million for the corresponding period in 2009. *

* *The EBITDA measure provides additional information that may be used to better understand Amadeus' operations. EBITDA is one measure commonly used as a supplemental financial measurement in the evaluation of oil and gas operations and should not be considered as an alternative to, or more meaningful than, net income/(loss) as an indicator of the Group's operating performance. Certain items excluded from EBITDA are significant components in understanding and assessing the Group's financial performance, such as the Group's cost of capital and tax structure, as well as the historic cost of depreciable assets, none of which are components of EBITDA.*

EBITDA from operations is reconciled as follows:

		30 Jun 2010 $'000	30 Jun 2009 $'000
Gross profit from operating activities (reported)		**15,893**	**24,921**
ADD:			
Amortisation / depreciation	(i)	15,012	13,953
LESS:			
Interest income		(166)	(76)
Other expenses		(5,280)	(7,859)
EBITDA from operations		**25,459**	**31,015**

(i) **Depreciation/Amortisation:** The non-cash amortisation charge increased from $13.9 million to $15.1 million. This period, amortisation includes a charge of $14.8 million on oil and gas properties, $0.1 million on amortisation of asset rehabilitation and $0.2 million on amortisation of intangible asset acquired when TNT was purchased.

1.5. Non-cash items

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

Exploration write-off: As at 30 June 2010, it was determined that 1 project (2009: 5 projects) would be unlikely to recoup the capital costs spent because no economic recoverable reserves were found. This related to the Falcon prospect in Louisiana, for costs incurred in a prior period.
In accordance with the Company's accounting policies, costs totalling $1.9 million (2009: $24 million) have been written off.

Fair Value Gain/(Loss) on Hedges: The fair value gain of the Company's commodity hedges this year was $1.45 million, compared to the gain in the previous year of $34.9 million. Oil and gas hedge contracts as at 30 June 2010, have been valued based on forward rates as at the year-end. The previous period's abnormally high gain was recorded as a result of significant reductions in commodity prices.

Deferred Income Tax: Income tax benefit for the period was $1.7 million compared with $12.2 million expense reported in June 2009.

Impairment loss: An impairment loss of $5.4 million was recognised on oil and gas properties, related to a downgrade of reserve value on the Longville project, Louisiana. (2009: $2.7 million impairment loss related to decline in value of investments).

1.6. Interest expense

Interest expense for the period was $5.2 million compared to $5.9 million in 2009. The reduced expense is principally due to the Company's reduced debt level, with $US11 million repaid during the period. The swap contract on US interest rates on core debt matured during the period in December 2009.

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

Reported NPAT: The Group reported a loss of $0.4 million in the year, compared to the previous period of $7.1 million profit. Last year's result was impacted by a material non-cash fair value gain on hedges outlined under Section 1.5 above.

Net profit before non-cash items: The Group's net profit before non-cash items is $18.8 million, compared to the previous period of $24.4 million. Net profit before non-cash items has fallen due to lower oil and gas volumes sold this period. 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:

	30 Jun 2010 $'000	30 Jun 2009 $'000
NPAT (reported)	**(406)**	**7,070**
LESS:		
Fair value (gain)/loss on hedges	(1,452)	(34,926)
Gain on sale of oil and gas properties	-	-
Deemed gain on investment	-	(511)
ADD:		
Income tax expense / (benefit)	(1,697)	12,162
Exploration write-off	1,859	24,011
Amortisation / depreciation	15,093	13,953
Impairment loss	5,444	2,656
Net Profit before non-cash items	**18,841**	**24,415**

2. BALANCE SHEET

The Balance Sheet reported net assets of $116 million at June 2010 (2009: $ 95 million). The Group's net debt position at year end was $43 million compared to $65 million as at June 2009. . The gearing ratio fell from 40% to 27% as principal debt repayments of $US11 million (2009: $US12.5 million) were made during the period on the Company's loan facility. The net carrying value of the US assets was $162 million (2009: $172 million).

3. CASH FLOW

Cash flow from operating activities was $19.3 million compared to the previous year of $29.6 million, reflecting lower sales receipts in the current period. Cash at bank at 30 June 2010 was $8.0 million, compared to the June 2009 balance of $2.2 million.

4. EXPLORATION ACTIVITY & DEVELOPMENT OF EXISTING PROPERTIES

4.1. **Expenditure:** Exploration and development expenditure totalled $7.4 million (US$6.5 million) for the period, down from $21.5 million spent during 2009. The expenditure reflects reinvestment of available cash-flow into drilling programs that develop the Company's extensive leasehold of oil and gas properties.

4.2.

Expenditure was apportioned into the following categories during the year to 30 June 2010.

Risk Profile	%	AU$ Million	Project (State)
Low Risk	68%	5.0	White Eagle (KS), Raccoon Bend (TX), Ford East (TX)
Medium Risk	32%	2.4	Hallettsville (TX), Novinger East (KS)
High Risk	-	-	
Total	**100%**	**7.4**	

4.3. Summary of Drilling Activities by Project Areas

In the year to 30 June 2010, Amadeus commenced drilling on 22 wells. At the end of the period, 17 (77%) of these wells were either completed for production, undergoing completion operations or were in production testing, 3 were converted to salt water disposal wells and 2 were plugged and abandoned. The exploration and exploitation program was restored during the second half of the year, following a significant drop in activity during the first-half to enable bank refinancing and the TNT acquisition.

Lower Risk Projects:

Ford East Project (Reeves County, Texas): Five oil development wells, the Red Bluff 9 #12, #14, #15 #16 and #17 were drilled back to back during the last quarter of the financial year. The exploration resulted in all five wells successfully finding commercial quantities and qualities of oil. Each well will be placed onto production during the first quarter of the next financial year.

Raccoon Bend Project (Austin & Waller Counties, Texas): Five oil development wells, the Paine #47, Wilson A-30, Austin College #38, #39 and Wilson A-31 were drilled. Four wells intersected commercial oil zones and were completed for production and one was plugged and abandoned.

White Eagle Project (Various Counties, Kansas): Seven oil wells were drilled on this project since December 2009; the LL Austin #11, Pfiefer 15#1, Losey Trust #4 and #5, Brandenberg #14, Driscoll #31-7 and Daniel Teichman Unit #1. Five of these wells were completed for production and two were used as salt water disposal wells.

Medium Risk Projects:

Hallettsville Project (Lavaca County, Texas): Three exploratory gas wells were drilled at Hallettsville during the year, resulting in all three wells being completed for production (Garner #1, Smolik A3 and Paul Hermes #1).

Novinger East Project (Meade County, Kansas): One oil wildcat exploration well, the Shinogle #24-3A was drilled and used as a salt water disposal well.

TNT - Other (Wilbarger County, Texas): One exploration well, the Peggy Koch #1 was drilled and plugged and abandoned.

Higher Risk Projects:

No high risk projects were drilled during the period, as the strategic focus for the Company was to develop low to medium risk projects and on the successful acquisition of its major operator, TNT in December 2009.

CORPORATE

During the year, the Company acquired its main operator, TNT Engineering Inc. The acquisition is expected to deliver operational cost savings and efficiencies, giving Amadeus control of its working interests. The acquisition has also added to the Company's proven reserves.

In May 2010, the Company successfully refinanced its bank debt with a new US banking syndicate, headed by BNP Paribas. Under the new arrangements, the Company's senior and subordinate debt facilities were discharged and replaced with a new single facility with a term of three years. As a result, the Company no longer has any subordinate debt. The terms of the new facility are a material improvement on the previous facilities and will deliver annual finance costs savings of approximately $US1 million. During the period, the bank debt was reduced by $US11 million.

For further information regarding the annual results please contact:

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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 4E

Preliminary Final Report
For the 12 months ended 30 June 2010

Name of entity:	Amadeus Energy Limited
ABN:	36 058 714 408
Reporting period:	Year ended 30 June 2010
Previous corresponding period:	Year ended 30 June 2009

Results for announcement to the market		**%**		**$A'000**
Revenues from continuing operations	down	19	to	44,311
EBITDA from operations *	down	18	to	25,370
Profit/(loss) after income tax	down	106	to	(406)
Profit/(loss) attributable to members	down	106	to	(404)

* The EBITDA measure provides additional information that may be used to better understand Amadeus' operations. EBITDA is one measure commonly used as a supplemental financial measurement in the evaluation of oil and gas operations and should not be considered as an alternative to , or more meaningful than, net income/(loss) as an indicator of the Group's operating performance. Certain items excluded from EBITDA are significant components in understanding and assessing the Group's financial performance, such as the Group's cost of capital and tax structure, as well as the historic cost of depreciable assets, none of which are components of EBITDA.

Commentary on results for the period
(Refer to the cover pages of this announcement).

Dividends	**Amount per security**	**Franked amount per security**
Interim dividend	NIL¢	NIL¢
Previous corresponding period	NIL¢	NIL¢

Net tangible assets per security	**Current period**	**Previous corresponding period**
Net tangible asset backing per ordinary security	38.1¢ per share	47.7¢ per share

Annual General Meeting

The Annual General Meeting will be held at 11.00am on Tuesday 16 November 2010 at the Fremantle Room, Parmelia Hotel, 14 Mill Street Perth, Western Australia

Audit

This report is based on accounts that have been audited.

The information set out in the Appendix 4E Preliminary Final Report is a high level overview of the results and is to be read in conjunction with the full year financial statements and the FY 10 Annual Report.

Sign here: C. Bentley **Date:** 30 August 2010

Print name: Caroline L. Bentley
Company Secretary

AMADEUS
ENERGY LIMITED
ABN 36 058 714 408

AND CONTROLLED ENTITIES
ANNUAL REPORT 30 JUNE 2010

Directors' Report

Your Directors present their report on Amadeus Energy Limited ('the Company' or 'parent entity') and its controlled entities, (referred to hereafter as the 'Group') for the year ended 30 June 2010.

DIRECTORS

The following Directors were in office for the entire period, unless otherwise stated:

Craig Coleman (Chairman)
Robert Scott
Geoffrey Towner
Peter Lehle
Alexander Beard **
Hon Andrew Peacock AC *
Caroline Bentley *
Stephen Pearce *
** Mr Beard was appointed as a Director on 14 October 2009
* Mr Peacock and Mrs Bentley resigned as Directors on 14 October 2009 and Mr Pearce resigned as a Director on 25 February 2010

PRINCIPAL ACTIVITIES

The principal continuing activity of the Group during the course of the year is the management and operation of oil and gas producing properties in the USA and exploration in the USA.

No significant changes in the nature of the activities of the Group occurred during the year.

REVIEW OF OPERATIONS

Information on the operations and the financial position of the Group is provided in the Managing Director's Report and the Operations Review sections of the Annual Report.

OPERATING RESULT

The operating result for the period:

	CONSOLIDATED	
	2010	2009
	$'000	$'000
Profit/(loss) before tax	**(2,103)**	19,232
Income tax benefit/(expense)	**1,697**	(12,162)
Profit/(loss) after tax	**(406)**	7,070

DIVIDENDS

No dividends were paid during the year and the Board is not recommending the payment of a dividend.

CAPITAL

During the period 105,672,698 ordinary shares were issued for $27.47 million. 1,000,000 unlisted options lapsed and expired on 30 November 2009. 8.5 million unlisted options were outstanding as at the end of the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the period under review, not otherwise disclosed in this report or the financial statements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year Mr Geoffrey Towner has tendered his resignation from Amadeus Energy Limited, effective from 30 September 2010. A termination payment of $225,000 will be paid with respect to his resignation. This has not been included within the financial statements as at 30 June 2010.

LIKELY DEVELOPMENTS

The likely developments of the core business of the Amadeus Group are covered in the Annual Report. In the opinion of the Directors, disclosure of any further information on likely developments in the operations of the consolidated entity and the expected results of operations would be likely to result in unreasonable prejudice toward the Company, the consolidated entity and shareholders.

ENVIRONMENTAL REGULATION

The entity is subject to normal environmental regulation with respect to its exploration and production operations. There have not been any known significant breaches of the consolidated entity's obligations under these environmental regulations during the year under review and up until the date of this report. Given the location of the Group's operations in the USA, both the Energy *Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007* are not expected to have a material impact.

Directors' Report

INFORMATION ON DIRECTORS

Craig Coleman
Acting Non-Executive Chairman (Age: 44)

Experience and expertise
Mr Coleman has extensive experience in senior executive positions and directorships. He holds a Bachelor of Commerce from the University of Western Australia.

Other current directorships
Chairman of Rubik Financial Ltd (formerly Ausron Ltd) since November 2006
Non-Executive Director of Bell Financial Group Ltd since July 2007
Non-Executive Director of Amcom Telecommunications Ltd since October 2008
Non-Executive Director of Pulse Health Ltd since January 2010

Former directorships in last three years
Non-Executive Director of Home Building Society (June 2006 to Dec 2007)

Special responsibilities
Chairman of the Remuneration Committee
Member of the Audit and Risk Management Committee.

Interests in shares and options
1,000,000 ordinary shares in Amadeus Energy Limited.
Nil options over ordinary shares in Amadeus Energy Limited.

Robert Scott
Non-Executive Deputy Chairman (Age: 63)

Experience and expertise
Independent Non-Executive Director of the Company since appointment in 1996. He has over 35 years experience with major accounting firms as a corporate advisor. Mr Scott holds a Fellowship of the Australian Institute of Chartered Accountants and the Taxation Institute of Australia. He is the Chairman of the Audit and Risk Management Committee.

Other current directorships
Chairman of bioMD Ltd (Director since June 1999)
Non-Executive Director of Homeloans Ltd (Director since November 2000)
Chairman of Australian Renewable Fuels Ltd (Director since December 2002)
Non-Executive Director of Neptune Marine Services Ltd (Director since May 2007)
Non-Executive Director of CGA Mining Ltd (Non-Executive Director since January 2009)
Non-Executive Director of Sandfire Resources Ltd (Non-Executive Director since July 2010)

Former directorships in last three years
Non-Executive Director of New Guinea Energy Ltd (Director July 2006 to May 2009)

Special responsibilities
Deputy Chairman of the Board.
Chairman of Audit and Risk Management Committee.
Member of the Remuneration Committee

Interests in shares and options
2,005,000 ordinary shares in Amadeus Energy Limited.
Nil options over ordinary shares in Amadeus Energy Limited.

Directors' Report

Geoffrey Towner
Managing Director (Age: 60)

Experience and expertise
Founding Managing Director of the Company since 1995. He has extensive experience in management within the oil and gas industry. Member of the Australian Institute of Company Directors and has held several resource-based directorships over the past 25 years.

Other current directorships
None

Former directorships in last three years
Non-Executive Director of Australian Renewable Fuels Ltd (Director May 2001 to May 2009).

Special responsibilities
Managing Director

Interests in shares and options
13,409,870 ordinary shares in Amadeus Energy Limited.
Nil options over ordinary shares in Amadeus Energy Limited.

Peter Lehle
Non Executive Director (Age: 53)

Experience and expertise
Mr Lehle is a US-based AAPG Certified Petroleum Geologist, with 27 years experience.

Other current directorships
None

Former directorships in last three years
None

Special responsibilities
None

Interests in shares and options
430,000 ordinary shares in Amadeus Energy Limited.
1,500,000 options over ordinary shares in Amadeus Energy Limited.

Alexander Beard
Non Executive Director (Age: 44)

Experience and expertise
Mr Beard is a Chartered Accountant with experience in investee business, both in providing advice and direct management roles. He has been involved in negotiating private placement initial public offerings, trade sales, banking facilities and other commercial agreements. He is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Other current directorships
Executive Director/CEO of CVC Limited (Director since 17 August 2000)
Director of CVC Property Managers Ltd (Director since 23 December 2005)
Non-Executive Chairman of Cellnet Limited (Director since 15 December 2006)
Non-Executive Director of Mnet Group Limited (Director since 1 June 2007)

Former directorships in last three years
Blue Energy Limited (ceased August 2008)

Special responsibilities
Member of the Audit and Risk Management Committee
Member of the Remuneration Committee

Interests in shares and options
Nil ordinary shares in Amadeus Energy Limited.
Nil options over ordinary shares in Amadeus Energy Limited.
(CVC Limited holds 12,400,000 shares)

Company Secretary
The Company Secretary is Caroline Bentley. She was appointed to the position in November 2000.
Mrs Bentley resigned as an executive director of Amadeus in October 2009, but retained the position of Company Secretary/CFO.
She is also Company Secretary to listed public company, bioMD Limited.

DIRECTOR'S MEETINGS
The number of meetings of the Company's Board of Directors and of each Board committee held in the year ended 30 June 2010, and the number attended by each Director were:

	BOARD OF DIRECTORS		REMUNERATION COMMITTEE		AUDIT & RISK MANAGEMENT COMMITTEE	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
C Coleman	14	14	2	2	3	3
R Scott	14	14	2	2	3	3
G Towner	14	13	*	*	*	*
P Lehle	14	13	*	*	*	*
A Beard	14	10	2	1#	3	0#
A Peacock	14	4^	*	*	3	1^
C Bentley	14	4^	*	*	*	*
S Pearce	14	9^	2	1^	3	3^

Note * Not a member of the relevant committee
^ Mr Peacock, Mrs Bentley and Mr Pearce resigned during the period
# Mr Beard was appointed to the remuneration and audit and risk committees during the period

Details of the memberships of the Committees are presented in the Corporate Governance Statement.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr Alexander Beard is offering himself for re-election, as he was appointed as a Director since the 2009 AGM was held.

Directors' Report

REMUNERATION REPORT
The Remuneration Report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

The remuneration arrangements detailed in this report relate to the following Directors and key management personnel as follows:

Craig Coleman	Acting Non-Executive Chairman
Robert Scott	Non-Executive Director
Geoffrey Towner	Managing Director
Peter Lehle	Non-Executive Director
Andrew Peacock	Non-Executive Chairman *(resigned)*
Stephen Pearce	Non-Executive Director *(resigned)*
Caroline Bentley	Company Secretary/Chief Financial Officer
Mitchell Wells	Chief Operating Officer
Betty Dieter	President, Amadeus Petroleum Inc. (USA)

The following table shows the gross revenue, profits/losses and share price of the Group at the end of the respective financial years.

	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
Revenue from continuing operations	51,934	52,182	67,969	54,403	44,311
Net profit/(loss)	9,596	3,136	(1,275)	7,070	(406)
Share price	$1.14	$0.915	$0.57	$0.325	$0.215

REMUNERATION REPORT (continued)

A Principles used to determine the nature and amount of remuneration

The objective of the Group's remuneration framework is to ensure reward for performance is competitive and appropriate for results delivered. To this end, the Company embodies the following principles in its remuneration framework:

- The Remuneration Committee seeks independent advice, as required, on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for Directors; and
- In determining remuneration, advice is sought from external consultants on current market practices for similar roles, the level of responsibility, performance and potential of the Director and performance of the Group.

Remuneration levels for Directors are competitively set to attract the most qualified and experienced candidates.

In accordance with best practice corporate governance, the structure of non-executive and executive remuneration is separate and distinct. The Remuneration Committee consists of three non-executive independent directors. The committee met two times during the period. No increases to any directors and officers of the Company have taken place this period.

The following key decisions have been made this financial year on remuneration within the Group:

- Executive salaries have been reviewed and frozen;
- Non executive director fees have been reviewed;
- Non executive directors are excluded from being eligible for ESOP options; and
- No performance options have been issued.

Non-Executive Directors
Fees and payments made to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors and is determined based upon comparative roles in the external market. Non-Executive Director's fees are reviewed annually by the Board. The current base remuneration was last reviewed with effect from 1 July 2010.

The Company's Non-Executive Directors receive a fixed fee (including statutory superannuation) which is not linked to the performance of the Company in order to maintain independence and impartiality. The Company does not offer any variable remuneration incentive plans to Non-Executive Directors.

The Company's Non-Executive Director's remuneration packages consist of quarterly director fees and in some cases consultancy fees.
No retirement benefits are provided, other than compulsory superannuation.

The Non-Executive Directors' fees are determined within an aggregate Directors' fees pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $300,000 per annum and was approved by shareholders at the 2008 Annual General Meeting. The Director fees are inclusive of committee fees.

Consulting services are also provided to the Company by the following Non-Executive Directors:

- Mr Scott received compensation for performing advisory services to the Company in lieu of director's fees. An agreement of no fixed length is in place between the Company and Coverley Management Services Pty Ltd, a company that Mr Scott has an interest.
- Mr Peacock also received additional compensation for performing business development consulting services to the Company. An agreement to 14 October 2009 was in place between the Company and Andrew Peacock & Associates Pty Ltd, a company that Mr Peacock has an interest. This agreement was terminated on that date.
- Mr Lehle also received additional compensation for performing geological consulting services to the Company. During the year ended 30 June 2010, Mr Lehle also received a 1% fee for work completed in relation to the sale of certain oil and gas assets which was a prerequisite to the TNT acquisition. An agreement was in place between the Company and Raritan Resources Inc, a company that Mr Lehle has an interest. This agreement was terminated on 1 June 2010.

Executive Directors / Company Secretary
The Company's Executive Director's and Company Secretary remuneration packages contain the following key elements:

- Primary benefits comprise monthly base fees via service agreements or salary and a car-parking bay;
- Post - employment benefits include accrued long service benefits; and
- Equity - by way of share options granted under the Amadeus Share Option Plan, (as approved by shareholders at the Annual General Meeting held in November 1997).

REMUNERATION REPORT (continued)

For the year ended 30 June 2010, service agreements are in place for Executive Directors and the Company Secretary which provide for a fixed base fee or salary per annum. The level of fees payable is determined by reference to appropriate benchmark information. There are no guaranteed base fee increases included in any Executive Directors' contracts.

Long term incentives are provided through the Amadeus Share Option Plan. The issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted provides incentive for management to improve the Company's performance.

The Company does not offer any variable remuneration incentive plans or bonus schemes to Executive Directors and remuneration is not linked to performance.

Executive remuneration - Australia

The Company's Executive pay and reward framework contain the following key elements:

- Base pay and superannuation;
- Car parking bay;
- Post – employment benefits include accrued long service benefits;
- Termination benefits for early termination by the Company; and
- Long term incentives through participation in the Amadeus Share Option Plan.

A combination of these elements comprise an Executive's total remuneration. The Company does not offer any variable remuneration incentive plans or bonus schemes to executives and remuneration is not linked to performance.

The base pay of Executives is a cash salary offered on a competitive basis. The salary is not linked to the Company's performance and is based on market benchmarks. Base pay for Executives is reviewed annually to ensure the Executive's pay is competitive with the market for comparable roles. There are no guaranteed base pay increases included in any Executive's contracts.

Retirement benefits are paid at 9% of base salary for Australia-based executives.

Termination benefits of up to one year's salary is payable on termination by the Company, other than for gross misconduct.

Long term incentives are provided through the Amadeus Share Option Plan. The issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted, provides incentive for management to improve the Company's performance.

Executive remuneration - USA

The subsidiary company's Executive pay and reward framework contain the following key elements:

- Base pay and 401k contributions;
- Health Plan benefits;
- Bonus scheme;
- No Termination benefits are payable; and
- Long term incentives through participation in the Amadeus Share Option Plan.

The combinations of these elements comprise the Executive's total remuneration.

The base pay of US Executives is a cash salary offered on a competitive basis. The salary is not linked to performance and is based on market benchmarks. Base pay for Executives is reviewed annually to ensure the Executive's pay is competitive with the market for comparable roles. There are no guaranteed base pay increases included in any Executive's contracts.

The subsidiary company offers a bonus scheme to executives and it is subject to the discretion of the board of Amadeus. The value of the annual bonus is up to 100% of base salary. The Board considers the Company's performance, in addition to individual's performance when determining the level of bonus to be recommended for payment.

No termination benefits or retirement benefits are payable by the Company.

Long term incentives are provided through the Amadeus Share Option Plan. The issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted, provides incentive for management to improve the Company's performance.

REMUNERATION REPORT (continued)

B Details of remuneration

The details of the remuneration of the Directors and key management personnel of the Group (as defined in *AASB 124 Related Party Disclosures*) are set out in the following tables.

The key management personnel of the Group are the Directors of Amadeus Energy Limited and those Executives that report to the Managing Director being:

- C Bentley – Company Secretary/Chief Financial Officer;
- M Wells – Chief Operating Officer; and
- B Dieter – President, Amadeus Petroleum Inc.

Details on key management personnel of the Group are set out below:

	Short-term employment benefits			Post-employment benefits		Share based payments		
2010 **Name**	**Directors fees $**	**Consulting fees $**	**Cash salary/ Bonus $**	**Superannuation / LSL/Accrued leave $**	**Non-monetary benefits $**	**Equity options $**	**Total $**	**Percentage Remuneration consisting of options for the year**
Non-Executive Directors								
A Peacock	12,981	6,250	-	1,405	-	-	**20,636**	-%
R Scott	-	30,000	-	30,000	-	-	**60,000**	-%
C Coleman	57,339	-	-	5,160	-	-	**62,499**	
P Lehle	56,693	168,780	-	-	-	-	**225,473**	-%
A Beard	35,822	-	-	-	-	-	**35,822**	-%
S Pearce	30,580	-	-	2,752	-	-	**33,332**	-%
Executive Directors								
G Towner	-	510,300	-	275,000	8,980	-	**794,280**	-%
Other key management personnel								
C Bentley^	-	240,000	-	60,000	8,980	-	**308,980**	-%
B Dieter^	-	-	340,018	-	36,722	-	**376,740**	-%
M Wells ^	-	-	350,000	31,500	-	-	**381,500**	-%
Total key management personnel compensation (Group)	**193,415**	**955,330**	**576,679**	**405,817**	**168,021**	**-**	**2,299,262**	

* A Beard was appointed as a Director on 14 October 2009.
^ Denotes the highest paid Executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

REMUNERATION REPORT *(continued)*

	Short-term employment benefits			Post-employment benefits		Share based payments		
2009 **Name**	**Directors fees $**	**Consulting fees $**	**Cash Salary $**	**Superannuation $**	**Non-monetary benefits $**	**Equity options $**	**Total $**	**Percentage remuneration consisting of options for the year**
Non-Executive Directors								
A Peacock	78,750	25,000	-	8,750	-	-	**112,500**	-%
R Scott	-	40,000	-	30,000	-	-	**70,000**	-%
P Lehle	67,826	101,443	-	-	-	-	**169,269**	-%
C Coleman *	45,006	-	-	4,051	-	-	**49,057**	-%
S Pearce *	45,006	-	-	4,051	-	-	**49,057**	-%
Executive Directors								
G Towner	-	510,300	-	-	8,760	-	**519,060**	-%
C Bentley	-	240,000	-	-	8,760	-	**248,760**	-%
Other key management personnel								
B Dieter^	-	-	245,339	-	27,099	73,000	**345,438**	21%
M Wells ^	-	-	331,500	50,000	-	28,200	**409,700**	7%
Total key management personnel compensation (Group)	**236,588**	**916,743**	**576,839**	**96,852**	**44,619**	**101,200**	**1,972,841**	

* C Coleman and S Pearce were appointed Directors on 7 July 2008. There was no remuneration to either Director during the reporting period or as a consultant prior to that date.

^ Denotes the highest paid Executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

100% of remuneration is fixed, no proportion of remuneration is linked to performance (refer to Section D).

C Service Agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter outlines the Board policies and terms, including remuneration, relevant to the office of Director.

Remuneration of the Managing Director and Company Secretary is formalised in a service agreements. The major provisions of the agreements relating to the remuneration are set out below for the year ended 30 June 2010.

All contracts may be terminated early by either party with three months notice, subject to termination payments as detailed below.

Geoffrey Towner, Managing Director
- Term of agreement – five years commencing from 1 June 2007;
- Base fee for the year ended 30 June 2010 of $500,000, reviewed annually (2009: $500,000); and
- Long service leave equal to 3 months of base fee upon completion of seven years of continuous service.

Caroline Bentley, Company Secretary
- Term of agreement – five years commencing from 1 November 2005;
- Base fee for the year ended 30 June 2010 of $240,000 (2009: $240,000), reviewed annually; and
- Long service leave equal to 3 months of base fee upon completion of seven years of continuous service.

Mitchell Wells, Chief Operating Officer (COO)
- Indefinite term of agreement, commencing from 29 April 2008;
- Base fee for the year ended 30 June 2010 of $350,000 (2009: $350,000), reviewed annually; and
- Long service leave equal to 3 months of base salary upon completion of ten years of continuous service.

REMUNERATION REPORT *(continued)*

Remuneration of the President, Amadeus Petroleum Inc is formalised in an agreement with the Company as follows:
Betty Dieter, President, Amadeus Petroleum Inc.

- Indefinite term of agreement, commencing from 8 August 2008;
- Base fee for the year ended 30 June 2010 of $US200,000 (2009: $US200,000), reviewed annually;
- Bonus of up to 100% of base fee pa plus health benefits; and
- A carried working interest (to point of acquisition completion) of 1.5% on acquisitions of oil and gas producing properties identified and recommended to Amadeus by the President.

Termination benefits
Post-employment benefits include accrued long service leave, which is due and payable after every seven consecutive years of service for Executive Directors/Company Secretary and after ten years for the COO. The agreements provide Executive Directors with three months of base fees in the event of redundancy. No other termination benefits are payable other than accrued long service leave, unless the Company does not provide the required 3-month notice period of termination, then 3 months of base fee is payable. If the COO is terminated through no fault of his own, then assuming the three month notice period is worked, he is entitled to 9 months of base salary.

	Agreement start date	Agreement end date	Notice period	Termination benefits if terminated by the Company
G Towner	1 July 2007	1 July 2012	3 months	3 months of base fee
C Bentley	1 November 2005	1 November 2010	3 months	3 months of base fee
M Wells	29 April 2008	N/A	3 months	9 months of base salary
B Dieter	4 August 2008	N/A	N/A	N/A

D Share-based compensation

Options
The Amadeus Share Option Plan is used to reward Directors and employees for their performance and to align their remuneration with the creation of shareholder wealth. There are no performance requirements to be met before exercise can take place. The Plan is designed to provide long-term incentives to deliver long-term shareholder returns. Participation in the Plan is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted, provides incentive for management to improve the Company's performance.

The terms and conditions of each grant of Amadeus Share Option Plan options affecting remuneration in the current or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
1 May 2008	1 May 2008	1 May 2012	$0.80	$0.16
4 August 2008	4 August 2008	4 August 2012	$0.90	$0.07
1 May 2009	1 May 2009	1 May 2013	$0.80	$0.02

Options granted under the Plan carry no dividend or voting rights. The grant date equals the vesting date for all options.
Details of options over ordinary shares in the Company provided as remuneration to each director of Amadeus Energy Limited is set out below. When exercisable, each option is convertible into one ordinary share of Amadeus Energy Limited. Further information on options is set out in Note 18 and 34 to the financial statements.

The Board has no formal policy in relation to the use of securities held by Directors.

REMUNERATION REPORT *(continued)*

Details of options over ordinary shares in the Company provided as remuneration to each director and key management personnel are set out below:

Name	No. of options granted / vested during the year 2010	2009
Directors of Amadeus Energy Limited		
C Coleman	-	-
R Scott	-	-
G Towner	-	-
P Lehle	-	-
A Beard	-	-
A Peacock	-	-
S Pearce	-	-
Other key management personnel of the Group		
C Bentley		
M Wells	-	1,500,000
B Dieter	-	1,000,000

Options issued to key management personnel
No options were granted during the current financial period.
1 million options lapsed during the current financial period.

The model inputs for options granted to B Dieter during the year ended 30 June 2009 included:

- Options granted for no consideration
- Exercise price: 90 cents
- Grant date: 4 August 2008
- Expiry date: 4 August 2012
- Share price: 55 cents
- Expected volatility of the Company's shares: 45%
- Expected dividend yield: 0%
- Risk-free interest rate: 6.87%

The model inputs for options granted to M Wells during the year ended 30 June 2009 included:

- Options granted for no consideration
- Exercise price: 80 cents
- Grant date: 1 May 2008
- Expiry date 1 May 2013
- Share price: 29 cents
- Expected volatility of the Company's shares: 55%
- Expected dividend yield: 0%
- Risk-free interest rate: 3.60%

No shares have been issued to Directors or executives as a result of the exercise of any Plan options in the current financial year (2009: Nil).

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

SHARES UNDER OPTION

Unissued ordinary shares of Amadeus Energy Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
7 Jan 2007	7 Jan 2011	$1.20	750,000
7 Jan 2007	7 Jan 2011	$1.75	750,000
31 May 2007	31 May 2011	$1.00	2,000,000
1 May 2008	1 May 2012	$0.80	1,500,000
4 Aug 2008	4 Aug 2012	$0.90	1,000,000
1 May 2009	1 May 2013	$0.80	1,500,000
2 June 2009	2 June 2012	$0.315	1,000,000
			8,500,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the directors and officers of the Company and any subsidiary against a liability incurred as a director or officer to the extent permitted by the Corporations Act 2001. Due to a confidentiality clause in the policy, the amount of the premium has not been disclosed.

The liabilities insured are legal costs and expenses incurred in defending civil or criminal proceedings that may be brought against the relevant officers in their capacity as officers of entities in the Group and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor BDO Audit (WA) Pty Ltd for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as outlined below, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principle relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Directors' Report

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2010 $	2009 $
Assurance services		
Audit services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**41,145**	38,700
IFRS accounting services	**2,000**	5,611
Total remuneration for assurance services	**43,145**	44,311
Non- audit services		
Taxation services		
Related companies of BDO Audit (WA) Pty Ltd		
Tax compliance services, including review of company income tax returns	**-** **-**	**-**
Total remuneration for taxation services	**-**	**-**

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

CORPORATE
The Company is limited by shares and is domiciled in Australia. At year end the Company had four employees (2008: four employees).

Amadeus Energy Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

ROUNDING OF AMOUNTS
The Company is of a kind referred to in ASIC Order 98/100 dated 10 July 1988 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

AUDITOR
BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.

CRAIG COLEMAN
Non-Executive Chairman

Perth, Western Australia
30 August 2010

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Subiaco, WA 6008
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Australia

Auditor's Independence Declaration

30th August 2010

The Board of Directors
Amadeus Energy Limited
Level 11, St Georges Square
225 St Georges Terrace
PERTH WA 6000

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

As lead auditor of Amadeus Energy Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Peter Toll
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Statement of Comprehensive Income
For the year ended 30 June 2010

	Note	CONSOLIDATED 2010 $'000	2009 $'000
Revenue from operations	3	**44,311**	54,403
Operating expenses		**(13,406)**	(15,529)
Amortisation		**(14,900)**	(13,856)
Depreciation		**(112)**	(97)
Cost of sales	5	**(28,418)**	(29,482)
Gross profit from operating activities		**15,893**	24,921
Other income	3	**(29)**	515
Exploration write-off	11	**(1,859)**	(24,011)
Other expenses	5	**(5,450)**	(7,859)
Impairment loss	5	**(5,444)**	(2,656)
Profit/(loss) from continuing operations before income tax, finance costs and fair value movement of derivatives		**3,111**	(9,090)
Fair value gain / (loss) on derivatives	5	**1,453**	34,926
Finance costs	5	**(6,667)**	(6,604)
		(5,214)	28,322
Profit /(Loss) before tax from continuing operations		**(2,103)**	19,232
Income tax (expense) / benefit	6	**1,697**	(12,162)
Profit /(Loss) for the year		**(406)**	7,070
Profit /(loss) for the year is attributable to:			
Equity holders of Amadeus Energy Limited		**(404)**	7,055
Non-controlling Interests	31	**(2)**	15
		(406)	7,070
Other comprehensive income			
Exchange differences on translation of foreign operations		**(5,025)**	13,875
Available for sale financial assets		**1,105**	1,463
Other comprehensive for the year		**(3,920)**	15,338
Total comprehensive income/(loss) for the year		**(4,326)**	22,408
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of Amadeus Energy Limited		**(4,324)**	22,393
Non-controlling Interests	31	**(2)**	15
		(4,326)	22,408
Earnings per share (cents per share)		**Cents**	**Cents**
Basic earnings/(loss) per share from continuing operations	30	**(0.14)**	3.5
Diluted earnings/(loss) per share from continuing operations	30	**(0.14)**	3.5

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position
As at 30 June 2010

	Note	CONSOLIDATED 2010 $'000	2009 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	23	**7,968**	**2,247**
Trade and other receivables	7	**4,364**	**3,662**
Inventories	8	**1,798**	**1,476**
Derivative financial instruments	32	**351**	**-**
Other assets	9	**1,129**	**2,613**
Total current assets		**15,610**	**9,998**
NON-CURRENT ASSETS			
Receivables	7	**103**	**56**
Available for sale financial assets	10	**2,868**	**1,792**
Intangible asset	27	**6,311**	**-**
Property, plant and equipment	12	**161,664**	**172,639**
Derivative financial instruments	32	**48**	**-**
Deferred exploration and development expenditure	11	**1,511**	**3,418**
Deferred tax assets	13	**1,874**	**1,579**
Total non-current assets		**174,379**	**179,484**
Total assets		**189,989**	**189,482**
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft	23	**-**	**43**
Trade and other payables	14	**1,412**	**1,879**
Borrowings	15	**285**	**13,678**
Derivative financial instruments	32	**1,694**	**1,869**
Total current liabilities		**3,391**	**17,469**
NON-CURRENT LIABILITIES			
Borrowings	15	**50,925**	**56,537**
Derivative financial instruments	32	**703**	**1,847**
Other payables	14	**27**	**-**
Deferred tax liabilities	16	**17,072**	**18,846**
Provisions	17	**2,018**	**140**
Total non-current liabilities		**70,745**	**77,370**
Total liabilities		**74,136**	**94,839**
Net assets		**115,853**	**94,643**
EQUITY			
Contributed equity	18	**87,630**	**62,136**
Reserves	19	**(5,497)**	**(1,577)**
Retained earnings	19	**33,720**	**34,124**
Capital and reserves attributable to equity holders of the Amadeus Energy Limited		**115,853**	**94,683**
Non-controlling interests	31	**-**	**(40)**
Total equity		**115,853**	**94,643**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
For the year ended 30 June 2010

	CONSOLIDATED							
	Share Capital $'000	Foreign currency translation reserve $'000	Asset revaluation reserve $'000	Share based payments reserve $'000	Retained Earnings $'000	Total $'000	Non controlling Interest $'000	Total Equity $'000
Balance at 1 July 2008	**66,483**	**(17,608)**	**(802)**	**1,305**	**27,069**	**76,447**	**(55)**	**76,392**
Other comprehensive income for the year								
Write back of available-for-sale investments (net of tax)	-	-	838	-	-	838	-	838
Changes in fair value of available-for-sale assets (net of tax)	-	-	625	-	-	625	-	625
Exchange differences on translation of foreign operations	-	13,875	-	-	-	13,875	-	13,875
Total other comprehensive income for the year	-	13,875	1,463	-	-	15,338	-	15,338
Profit for the year	-	-	-	-	7,055	7,055	15	7,070
Total comprehensive income for the year	**-**	**13,875**	**1,463**	**-**	**7,055**	**22,393**	**15**	**22,408**
Transactions with owners in their capacity as owners								
Reversal of prior year tax impact of capital raising costs	49	-	-	-	-	49	-	49
Share options issued	-	-	-	190	-	190	-	190
Share buy-back	(4,396)	-	-	-	-	(4,396)	-	(4,396)
	(4,347)	-	-	190	-	(4,157)	-	(4,157)
Balance at 1 July 2009	**62,136**	**(3,733)**	**661**	**1,495**	**34,124**	**94,683**	**(40)**	**94,643**
Other comprehensive income for the year								
Changes in fair value of available-for-sale assets (net of tax)	-	-	1,105	-	-	1,105	-	1,105
Exchange differences on translation of foreign operations	-	(5,025)	-	-	-	(5,025)	-	(5,025)
Total other comprehensive income for the year	-	(5,025)	1,105	-		(3,920)		(3,920)
Profit/(loss) for the year	-	-	-	-	(404)	(404)	(2)	(406)
Total comprehensive income for the year	**-**	**(5,025)**	**1,105**	**-**	**(404)**	**(4,324)**	**(2)**	**(4,326)**
Transactions with owners in their capacity as owners								
Acquisition by parent on non-controlling interest	-	-	-	-	-	-	42	42
Shares issued (net of costs)	25,494	-	-	-	-	25,494	-	25,494
Balance at 30 June 2010	**87,630**	**(8,758)**	**1,766**	**1,495**	**33,720**	**115,853**	**-**	**115,853**

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

Statement of Cash Flow
For the year ended 30 June 2010

	Note	CONSOLIDATED 2010 $'000	2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		**43,414**	**59,405**
Interest paid		**(5,451)**	**(5,903)**
Interest received		**166**	**76**
Income taxes paid		**(32)**	**(547)**
Cash payments in the course of operations		**(18,757)**	**(23,443)**
Net cash inflow from operating activities	23	**19,340**	**29,588**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of oil producing properties		**2,063**	**-**
Payments for property, plant & equipment/capital improvements		**(10,640)**	**(11,845)**
Purchase of subsidiary, net of cash acquired	27	**(4,014)**	**-**
Payments for exploration, evaluation and development		**(205)**	**(11,480)**
Purchase of TNT oil and gas properties		**(9,155)**	**-**
Proceeds from the sale of investments		**480**	**-**
Payments for investments		**(5)**	**-**
Net cash outflow from investing activities		**(21,476)**	**(23,325)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		**27,475**	**-**
Share buy back		**-**	**(4,347)**
Share issue costs		**(1,982)**	**-**
Proceeds from borrowings		**-**	**2,000**
Finance costs paid		**(1,250)**	**(1,537)**
Repayment of borrowings		**(14,487)**	**(13,074)**
Net cash (outflow)/inflow from financing activities		**9,756**	**(16,958)**
Net increase/(decrease) in cash held		**7,620**	**(10,695)**
Cash and cash equivalents at the beginning of the financial year		**2,204**	**19,151**
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		**(1,856)**	**(6,252)**
Cash and cash equivalents at the end of the financial year	23	**7,968**	**2,204**

The above Statement of Cash Flow should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include financial statements for Amadeus Energy Limited (the 'Company') and its subsidiaries (together referred to as the 'consolidated entity' or 'Group'). Amadeus Energy Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 24 August 2010.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ('AASB'), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Statement of compliance

The consolidated financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Financial statement presentation

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard. Separate financial statements for Amadeus Energy Ltd are no longer presented as a consequence of the change to the *Corporations Act 2001*. Financial information for Amadeus Energy Ltd is included in Note 35.

New accounting standards and interpretations

Certain new accounting standards have been published that are not mandatory for 30 June 2010 reporting periods. The Group has not applied any of the following in preparing this financial report:

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 2009-5 (issued May 2009)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Not urgent, but necessary changes to AIFRS as a result of the IASB's 2008 annual improvement process.	1 January 2010	
- AASB 107	Statement of Cash flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.
- AASB 5	Non-Current Assets Held for Sale and Discontinued Operations	Clarifies that disclosures required for non-current assets classified as held for sale are limited to those required by AASB 5 unless disclosures are specifically required for these assets by other AASB's.	1 January 2010	There will be no impact as these requirements are only required to be applied prospectively to disclosures for non-current assets classified as held for sale.
AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards-Group Cash-Settled Share based Payment transactions	Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving goods/services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 AASB 2 *Group and Treasury Share Transactions*	1 January 2010	No impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.
AASB 2009-10	Amendments to Australian Accounting Standards-Classification of Rights Issues [AASB 132]	Clarifies that such transaction where an issue of rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency must be treated as equity.	1 February 2010	There will be no impact as the entity does not issue rights or options to a fixed numbers of shares for a fixed amount in a different currency to the functional currency.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.
AASB 124 (issued December 2009)	Related Party Disclosures	Clarifies the definition of a related party	1 January 2011	As this a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.
IFRS 7	Financial Instruments Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held	1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures.

* - periods commencing on or after this date

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being Amadeus Energy Limited ("Company" or "Parent Entity") and its subsidiaries as defined in AASB 127: *Consolidated and Separate Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. Acquisitions of entities are accounted for using the acquisition method of accounting.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests' in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to the owners of Amadeus Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

Investments in subsidiaries are accounted for at cost in the financial report of Amadeus Energy Limited.

Transactions eliminated on consolidation
All intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investment in Associates' and 'Share of Associates Net Profit' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associate or, if not consumed or sold by the associate, when the consolidated entity's interest in such entity is disposed of.

Changes in ownership interests
The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interest in the subsidiary. Any differences between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Amadeus Energy Ltd.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership in a jointly controlled entity or an associate is reduced, but join control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Changes in accounting policy
The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 consolidated and Separate Financial Statements became operative.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary were reclassified to profit or loss or directly to retained earnings.

Previously when the group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date of control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The group has applied the new accounting policy retrospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(b) Property, plant and equipment

Owned assets
Items of property, plant and equipment and intangibles are stated at cost less accumulated depreciation (see below) and impairment losses (see Impairment Note (d)). Cost is measured as the fair value of the assets given, shares issued or liabilities incurred at the date of acquisition plus costs directly attributable to the acquisition.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Oil and gas properties
These properties represent the accumulation of all exploration, evaluation and development expenditure, pre production development costs and ongoing costs of continuing to develop reserves for production incurred by or on behalf of the entity in relation to areas of interest.

When further development expenditure is incurred in respect of a property after the commencement of production, such expenditure is carried forward as part of the cost of that property only when expected future economic benefits are to be received, otherwise such expenditure is classified as part of the cost of production.

Depreciation/Amortisation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of an item of property, plant and equipment. Oil and gas properties are amortised on a straight-line basis over the estimated production life of the field concerned. Amortisation is not charged until the commencement of production.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

The estimated useful lives for each class of assets in the current and comparative periods are as follows:

- Machinery and equipment 5-15 years depending on the nature of the asset
- Plant and equipment 5-15 years depending on the nature of the asset
- Oil and gas properties 20 years

The useful life and depreciation method applied to an asset are reassessed at least annually.

(c) Exploration and evaluation assets

Exploration and evaluation costs are accumulated in respect of each separate 'area of interest' or geographical segment. Costs are either expensed as incurred or capitalised as an exploration and evaluation asset provided exploration titles are current and at least one of the following conditions are satisfied:

- the expenditure is expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amounts exceeds the recoverable amount (see Impairment Note (d)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. Impairment losses are recognised in the income statement.

Once the technical feasibility and commercial viability of the resources in an area of interest are demonstrable, exploration and evaluation costs associated with oil and gas leases are reclassified to oil and gas properties within property, plant and equipment.

(d) Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses are recognised in the income statement.

If the recoverable amounts of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which the impairment is treated as a revaluation decrease.

Where the impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Investments and other financial assets

Available for sale assets
The Group classifies its investments as available-for-sale assets, which comprise of marketable securities. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the balance sheet date. Such investments are stated at fair value, with any resultant gain or loss recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

The fair value of financial instruments classified as available-for-sale is the quoted bid price at the balance date.

Financial instruments classified as available-for-sale investments are recognised/derecognised by the entity on the date it commits to purchase/sell the investments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 7).

Subsequent measurement
Loans and receivables are carried at amortised cost using effective interest method.

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any anticipated costs to be incurred prior to its sale.

Oil and gas production activities
Cost is allocated on an average basis and includes direct material, labour, related transportation costs to the point of sale and other fixed and variable overhead costs directly related to oil and gas production activities.

(g) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, held at call with financial institutions, other short term highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(h) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate method.

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

Borrowing costs
Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for intended use or sale. Other borrowing costs are expensed.

(i) Trade and other receivables

Trade receivables are initially valued at fair value and then subsequently measured at amortised cost. Trade receivables on oil and gas sales are due for settlement within 30 days from the date of the sale.

Collectability of trade debtors is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(j) Revenue

Sale of oil and gas related products
Revenue from the sale of oil and gas related products is recognised when the significant risks and rewards of ownership had transferred to the buyer and can be measured reliably. In the case of oil, this is usually at the time of lifting.

Interest revenue
Interest income is recognised in the income statement as it accrues and takes into account the effective yield on the financial asset.

(k) Expenses

Financing costs
Financing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(l) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax losses, at the tax rates expected to apply when the assets are recovered or liabilities settled based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax base of investments in subsidiaries, associated and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income are also recognised directly in other comprehensive income.

Tax consolidation
The Company and its wholly-owned Australian resident entity have not formed a tax consolidated group.

(m) Employee benefits

General
Employee benefits expenses arising in respect of wages and salaries, annual leave, long service leave and other types of employee benefits are charged to the income statement in the period in which they are incurred. Contributions to superannuation funds by the Company are charged to the income statement when due. A superannuation scheme is not maintained on behalf of employees.

Wages, salaries, annual leave and sick leave
Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are measured at undiscounted amounts based on remuneration wage and salary rates that the entity expects to pay as at reporting date.

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

Employee share option plan
The Amadeus Share Option Plan allows the Company to issue options to employees as remuneration for past services. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

Bonus plan
The group recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detail formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the period are discounted to present value.

(n) Trade and other payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are normally settled within 30 days of recognition.

(o) Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

(p) Earnings per share

Basic earnings per share
Basic earnings per share is determined by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

Options granted under the Amadeus Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 30.

(q) Segment reporting

The Group has applied AASB 8 *Operating Segments* from 1 July 2009, which replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach' under which segment reporting information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change in the reportable segments presented, as the previously reported geographical segments have been separated into separate segments for US operations – between exploration and production segments. Comparatives for 2009 have been restated.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision makers, which have been identified as the Managing Director and the Board of Directors of Amadeus Energy Limited.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recovered from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statements of Cash Flows on a gross basis.

(s) Accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions
The cost of share-based payments to employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Determination of hydrocarbon reserves
Estimates of recoverable quantities of proven, probable and possible reserves reported include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves

may change from period to period. Changes in reported reserves can impact asset carrying values and the recognition of deferred tax assets due to changes in expected future cash flows. Reserves are integral to the amount of amortisation charged to the income statement. The Group uses suitably qualified persons to prepare an annual evaluation of proven hydrocarbon reserves compliant with US professional standards for petroleum engineers.

Available for sale financial assets
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value of a security below its cost is considered an indicator that the securities are impaired. If the reduction in value is judged as not being due to impairment, then the reduction is recorded as a fair value adjustment through equity.

Impairment of oil and gas properties
The fair value of oil and gas properties is determined with reference to estimates of recoverable quantities of reserves (as outlined above) to determine the estimated future cash flows. An impairment loss is recognised for the amount by which the asset or group of assets' carrying value exceeds the present value of its future cash flows. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Income Taxes
The Group is subject to income taxes in Australia and United States of America. Significant judgement is required in determining the Group's provision for income taxes. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Asset retirement obligations/Provision for rehabilitation
The Company records asset retirement obligation ("ARO") associated with the retirement of a long-lived asset as a liability in the period in which a legal obligation is incurred and becomes determinable, with an offsetting increase in the carrying amount of the associated asset. The ARO calculation was adopted during the year ended June 30, 2010. The ARO is recorded at fair value, excluding salvage values, and accretion expense will be recognized over time as the discounted liability is accreted to its expected settlement value. The fair value of the ARO is measured using expected future cash outflows discounted at the Company's credit-adjusted risk-free interest rate. The cost of the tangible asset, including the initially recognized ARO, is depleted such that the cost of the ARO is recognized over the useful life of the asset. Inherent in the fair value calculation of ARO are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment is made to the oil and natural gas property balance. Settlements greater than or less than amounts accrued as ARO are recovered as a gain or loss upon settlement. The asset retirement obligation recorded at inception was $1,887,737 with accretion expense for the year ended June 30, 2010 of $89,813. The asset retirement obligation at June 30, 2010 is $1,996,886.

Determination of fair values on intangible assets acquired in business combinations
On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value management uses estimates about future cash flows expected to be derived from the use or eventual sale of the asset. Details of acquired assets and liabilities are given in Note 27.
(t) Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in AUD, which is Amadeus Energy Limited's functional and presentation currency.

Transactions and balances
Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations
The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign rates of exchange ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(v) Hedging derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value quarterly. The accounting for subsequent changes in fair value depend on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of the cash flows of recognised assets and liabilities and highly probably forecast transactions (cash flow hedges).

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion is recognised in the income statement within finance costs.

Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction no longer is expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Derivatives that do not qualify for hedge accounting
Where a derivative financial instrument does not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement within finance costs.

The fair values of derivative financial instruments used for commercial purposes is outlined in Note 32.

(w) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(x) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The Group relies on external parties to prepare such valuations.

The carrying value less impairment provisions of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(y) Business combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

The group adopted AASB 3 *Business Combinations* (2008) and AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring on or after 1 July 2009. All business combinations occurring on or after 1 July 2009 have been accounted for using the acquisition method. The change in accounting policy has been applied prospectively so no retrospective adjustments have been made to business combinations that occurred prior to 1 July 2009 in these financial statements. However, there are some significant changes to the way business combinations are accounted for from 1 July 2009.

Major changes include:

- Contingent consideration classified as debt is remeasured through profit or loss instead of adjusting the purchase consideration (goodwill).
- Acquisition-related costs are expensed immediately, rather than being included as part of the purchase consideration. Non-controlling interests can be measured on an acquisition by acquisition basis at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.
- If the group recognises deferred tax assets after the initial accounting is complete, there will be no adjustment to goodwill and this will result in increased profits in the period when these deferred tax assets are recognised.

Any intangible asset recognised on a business combination is amortised.

The intangible asset bought to account on the acquisition of TNT in December 2009 is being amortised over a 20 year period as the benefit of the operating agreements purchased relate to long life producing assets, with estimated useful life in excess of 20 years.

(z) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 by the Australia Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars or in certain cases, to the nearest dollar.

2. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments, other than derivatives comprise bank loans, overdrafts, trade receivables and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations. The Group also enters derivative transactions, principally interest rate swaps and commodity hedges.

The Group's activities expose it to a variety of financial risk, market risk (including currency risk, fair interest rate risk and price risk), liquidity risk and cash flow interest rate risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group. Derivative financial instruments, such as interest rate swaps and commodity price hedges, are used to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and commodity price risks.

Risk management is carried out by the Board of Directors, who evaluate and agree upon risk policy management and objectives.
The Group holds the following financial instruments:

	CONSOLIDATED	
	2010	**2009**
	$'000	**$'000**
Financial assets		
Cash and cash equivalents	**7,968**	2,247
Trade and other receivables	**4,364**	3,662
Derivative financial instruments	**399**	-
Available for sale financial assets	**2,868**	1,792
Other financial assets	**-**	-
	15,599	7,701
Financial liabilities		
Bank overdraft	**-**	43
Trade and other payables	**1,412**	1,879
Borrowings (financial liabilities at amortised cost)	**51,210**	70,215
Derivative financial instruments	**2,397**	3,716
	55,019	75,853

The Audit and Risk Management Committee reviews the written principles for overall risk management, including the following specific areas:

(a) Market Risk

(i) Foreign Exchange Risk

The Group's core operations are located in the United States where both revenues and expenditures are recorded. The balance sheet can be significantly affected by movements in the USD/AUD exchange rates upon translation of the US operations into AUD.

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group seeks to mitigate the effect of its foreign currency exposure by borrowing in USD for US operations and maintaining a minimum cash balance in Australia.

The Group's exposure to foreign exchange risk at the reporting date is limited to the transfer of funding from the US operations to fund the Australian head office.

$US100,000 is transferred each month from the US subsidiary to fund the Australian head office. No forward exchange contracts are used to cover this exposure, as it is considered immaterial to the Group.

2. FINANCIAL RISK MANAGEMENT (continued)

(ii) Price Risk

The Group is exposed to equity securities price risk arising from investments held by the Company which are classified as available for sale assets. Investments in equity securities are managed by the full Board. A formal risk management policy over investments has not yet been developed, as it is considered a minor risk to the Group.

The Group's revenues are exposed to commodity price fluctuations, in particular oil and gas prices. The Group enters forward commodity hedges to manage its exposure to falling spot oil and gas prices. The Group's commodity hedging programs utilise financial instruments based on regional benchmarks including Nymex WTI for oil and NYMEX Natural Gas Henry Hub for gas. Note 32 details existing hedging programs.

The Group's policy is to maintain a balance between spot and hedged sales, with not more than 80% of total production being hedged at any point in time. For the year ended 30 June 2010, the Group hedged approximately 52% of its oil (2009: 71%) and 16% of its total gas production (2009: Nil).

Group Sensitivity

Based on the financial instruments held at 30 June 2010, had the WTI Nymex and Henry Hub prices increase/ decrease by 10% and 16% respectively, with all other variables held constant, the Group's post-tax profit for the year would have been $3.5 million lower/$3.3 million higher due to the non-cash fair value adjustment on derivatives through the income statement. (2009: increase/decrease of 8%, profit would have been $2.7 million lower/$2.5 million higher). The percentage change used in the sensitivity analysis is based on the differential between forward and spot prices as at year-end. Equity would not have changed under either scenario.

The table below summarises the sensitivity of the fair value of financial instruments held at balance date due to movements in the relevant forward commodity price, with all other variables held constant. The sensitivity is based on reasonably possible changes, over a financial year.

	CONSOLIDATED Price Risk			
	-%		+%	
Post-tax gain / (loss)	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
30 June 2010				
Oil (+/-10%) and Gas (+/-16%) forward price	**3,317**	-	**(3,513)**	-
30 June 2009				
Oil and Gas forward price (+/-8%)	**2,511**	-	**(2,674)**	-

Equity price risk

The Group is exposed to equity price risk on its equity investments.

In relation to equity price risk arising on investments balances, the group regularly reviews the prices to ensure a maximum return. There are no other formal risk management policies in place.

Profile

At the reporting date the equity price risk profile of the Group's financial instruments was:

	CONSOLIDATED Carrying Amount	
	2010 $'000	**2009 $'000**
Available for sale financial assets	**2,868**	1,792

Group sensitivity

The analysis of the available for sale assets is based upon the historic volatility of the underlying companies.

	Equity	
	95% increase $'000	**95% decrease $'000**
30 June 2010		
Available for sale financial assets	**2,753**	(2,698)

The sensitivity for 2009 has not been disclosed as it has been determined to have an immaterial impact on the Group.

2. FINANCIAL RISK MANAGEMENT (continued)

(iii) Cash flow and interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-terms debt obligations with a floating interest rate in the US. The Group manages its interest cost using a mix of fixed and variable rate debt. The Group's policy is to maintain a portion of its US borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

As at 30 June 2010, nil % of the Group's US borrowings are at a fixed rate of interest. (2009: 70%) as the new bank facility has only been recently negotiated in May 2010.

The Group monitors forecasts and actual cash flows and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at the reporting date, the financial instruments exposed to interest rate risk are as follows:

	30 June 2010		30 June 2009	
	Weighted average interest rate %	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Financial assets				
Interest rate swaps (notional principal amount)	**-**	**-**	-	-
Financial liabilities				
Bank loans	**3.94%**	**(50,925)**	8.07%	(67,699)
Other loans	**7%**	**-**	6.97%	(2,021)
Interest rate swaps (notional principal amount)	**-**	**-**	4.925%	(1,069)
Net exposure to cash flow interest rate risk		**(50,925)**		(70,789)

An analysis by maturities is provided in (c) below.

Group Sensitivity

As at 30 June 2010, if LIBOR interest rates had changed by +/- 277 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been $1.6/1.6 million lower/higher (2009: change of +/-68 basis points: $0.6/$0.8 million higher/lower), mainly as a result of higher/lower fair value in interest rate swaps and interest expense from borrowings.

The basis points change used in the sensitivity models is based on the differential between the LIBOR spot rate and 1 year swap rate as at year-end.

Equity would not have changed under either scenario.

The table below summarises the sensitivity of changes to LIBOR interest rates, with all other variables held constant. The sensitivity is based on reasonably possible changes, over a financial year.

	CONSOLIDATED Interest Risk			
	- bps		**+ bps**	
Post-tax gain/(loss)	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
30 June 2010				
LIBOR interest rates (+/- 277 bps)	**1,565**	-	**(1,593)**	-
30 June 2009				
LIBOR interest rates (+/- 68 bps)	**(792)**	-	**625**	-

2. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit Risk

Credit risk is the potential that the Group will suffer a financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations. Credit risk arises from both lending and trading activities. The carrying amount of financial assets represents the maximum credit exposure. There are no significant concentrations of credit risk within the Group.

The Group trades only with recognised, credit worthy third parties. In the US, trade receivables, (balances with oil and gas purchasers) have not exposed the Group to any bad debts to date.

In the US, all of the purchasers that the Group's operators choose to deal with are major oil companies with an "AAA" credit rating. Amadeus, through its operating company, T-N-T Engineering utilises a third party consulting firm that negotiates the best price on all oil and gas sales as well as keeping the operator informed of any stability problems with the purchasers. In addition, the third party marketer is responsible for the following:

1) Negotiate prices for the Group,
2) Compare the Group's run cheques with the contract prices,
3) Watch for credit problems with the purchasers, and
4) Handle service problems.

When the Group does not operate the properties, it sells oil and gas along with the operator and the other working interest owners. The Group utilises the operator's marketing expertise. The operator is responsible for monitoring the oil and gas purchasers and negotiating the best price on all oil and gas sales. The operator is also responsible for informing the non-operated working interest owners of any oil and gas purchaser stability problems.

To date, no trade debtors have a history of default on sales made by the Group. Sales to customers are settled with the Group's operators within 30 days of the sale of hydrocarbons.

With respect to investments, it limits its exposure by investing in liquid investments that are principally exchange traded.

(c) Liquidity Risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Group being unable to meet its obligations in an orderly manner as they arise.

The Group's liquidity position is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost-effective manner. The Group is primarily funded through on-going cash flow, debt funding and equity capital raisings, as and when required.

Funding is in place with reputable financial institutions in the US and Australia. The borrowing base is re-determined and reviewed twice a year. US bank compliance reporting is undertaken quarterly and adherence to covenants is checked regularly.

Management also regularly monitors actual and forecast cash flows to manage liquidity risk.

Financing arrangements
The Group had access to the following un-drawn lines of borrowing facilities at the reporting date:

	Consolidated 2010 $'000	2009 $'000
Floating rate		
- expiring within one year	**250**	**250**
- expiring beyond one year (bank loans)	**7,376**	**1,018**
Net exposure to cash flow interest rate risk	**7,626**	**1,268**

2. FINANCIAL RISK MANAGEMENT (continued)

Maturities of financial liabilities

The table below analyses the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, not allowing for roll-over. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date. For commodity hedges the cash flows have been estimated using the forward commodity prices at the reporting date.

Note that these tables disclose cash-flows when current borrowings reach contractual maturity dates.

Group – At 30 June 2010	**Less than 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount liabilities**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Non-interest bearing	-	-	-	-	-	-	-
Variable rate	-	(283)	(4,211)	(55,265)	-	(59,759)	(52,155)
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	**-**	**(283)**	**(4,211)**	**(55,265)**	**-**	**(59,759)**	**(52,155)**
Derivatives							
Gross settled							
- inflow	152	236	-	-	-	388	388
- outflow	(815)	(731)	(637)	(210)	-	(2,393)	(2,393)
Total Derivatives	**(663)**	**(495)**	**(637)**	**(52,365)**	**-**	**(54,160)**	**(54,160)**

Group – At 30 June 2009	**Less than 6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount liabilities**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Non-interest bearing	-	-	-	-	-	-	-
Variable rate	(5,591)	(5,591)	(36,280)	(21,745)	-	(69,207)	(67,720)
Fixed rate	(2,000)	-	-	-	-	(2,000)	(2,000)
Total non-derivatives	**(7,591)**	**(5,591)**	**(36,280)**	**(21,745)**	**-**	**(71,207)**	**(69,720)**
Derivatives							
Net settled (interest rate swaps)	(1,178)	-	-	-	-	(1,178)	(1,069)
Gross settled							
- inflow	-	254	522	134	-	910	-
- outflow	-	(420)	(536)	(58)	-	(1,014)	(2,648)
Total Derivatives	**(1,178)**	**(166)**	**(14)**	**76**	**-**	**(1,282)**	**(3,717)**

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and represent fair value.

The fair value of current financial assets and liabilities settled within 12 months approximate fair value.

2. FINANCIAL RISK MANAGEMENT (continued)

The fair value of non current financial assets and liabilities together with their carrying value are as follows:

	CONSOLIDATED			
	2010 $'000 Carrying Value	2010 $'000 Fair Value	2009 $'000 Carrying Value	2009 $'000 Fair Value
Financial assets				
Cash and cash equivalents	**7,968**	**7,968**	2,247	2,247
Trade and other receivables	**4,603**	**4,603**	3,662	3,662
Derivative financial instruments	**399**	**399**	-	-
Available for sale financial assets	**2,868**	**2,868**	1,792	1,792
Other financial assets	**-**	**-**	-	-
	15,838	**15,838**	7,701	7,701
Financial liabilities				
Bank overdraft	**-**	**-**	43	43
Trade and other payables	**1,412**	**1,412**	1,879	1,879
Borrowings (financial liabilities at amortised cost)	**50,925**	**50,925**	70,215	70,215
Derivative financial instruments	**2,397**	**2,397**	3,716	3,716
	54,734	**54,734**	75,853	75,853

The following tables classify financial instruments recognised in the statement of financial positions of the Group, according to the hierarchy stipulated in AASB 7 as follows:

(a) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
(b) Level 2 – a valuation technique is used using other than quoted prices within Level 1 that are observable for the financial instrument either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
(c) Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Group 2010	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Fair value through profit and loss:				
Oil and gas derivatives	**-**	**(2,046)**	-	(2,046)
Interest rate swap	**-**	**-**	-	-
Available for sale financial assets	**-**	**-**	-	-
Listed equity securities	**2,868**	**-**	-	2,868
	2,868	**(2,046)**	-	822

The fair value of financial instruments traded in active markets is based upon quoted market price at the end of the reporting period. The quoted market price is the quoted bid prices which are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group makes a number of assumptions based upon observable market data existing at each reporting period.

	Note	CONSOLIDATED 2010 $'000	2009 $'000
3. REVENUE FROM OPERATIONS AND OTHER INCOME			
REVENUE FROM OPERATIONS			
Sales revenue			
Oil and gas revenue		**42,217**	51,115
Salt water disposal income		**240**	262
Equipment hire revenue		**1,447**	1,049
		43,904	52,426
Other revenue			
Gas derivative income		**199**	1,859
Administration services income		**42**	42
Finance revenue	(a)	**166**	76
		44,311	54,403
OTHER INCOME			
Net (loss)/gain on sale of available for sale assets	(b)	**(29)**	511
Other income		**-**	4
		(29)	515
(a) Breakdown of finance revenue			
Bank interest		**166**	76

(b) (Loss)/Gain on available for sale assets

During the year, all shares held in Australian Renewable Fuels were sold which resulted in a loss of $29,447 to the Group. (2009: due to a dilution of ownership the investment in Australian Renewable Fuels Limited is no longer classified as an 'investment in associate' and is now classified as an 'available for sale investment' carried at fair value. The restatement of the investment resulted in a non-cash gain of $0.5 million).

4. EARNINGS

	2010 $'000	2009 $'000
Earnings before interest, tax, depreciation, amortisation, exploration and impairment ("EBITDA") from operations is calculated as follows:		
Continuing operations:		
Profit/(loss) for the year from continuing operations before income tax	**(2,103)**	19,232
Add back:		
Finance costs	**6,667**	6,604
Other income/(expense)	**29**	(515)
Interest received	**(166)**	(76)
Earnings before interest and tax ("EBIT")	**4,427**	25,245
Add back:		
Fair value gain on derivatives	**(1,453)**	(34,926)
Amortisation and depreciation	**15,182**	13,953
Exploration write offs	**1,859**	24,011
Impairment expense	**5,444**	2,656
EBITDA from operations	**25,459**	30,939

The EBITDA measure provides additional information that may be used to better understand Amadeus' operations. EBITDA is one measure commonly used as a supplemental financial measurement in the evaluation of oil and gas operations and should not be considered as an alternative to , or more meaningful than, net income/(loss) as an indicator of the Group's operating performance. Certain items excluded from EBITDA are significant components in understanding and assessing the Group's financial performance, such as the Group's cost of capital and tax structure, as well as the historic cost of depreciable assets, none of which are components of EBITDA.

	Note	CONSOLIDATED 2010 $'000	2009 $'000
5. EXPENSES			
Profit/ (Loss) before income tax includes the following specific expenses:			
Cost of Sales			
Production operating costs		**11,681**	13,453
Production taxes		**1,725**	2,076
Total cash costs of production		**13,406**	15,529
Amortisation – oil and gas properties		**14,798**	13,846
Amortisation - EP380		**-**	97
Amortisation - ARO		**102**	-
Depreciation – plant and equipment		**112**	10
Total cost of sales		**28,418**	29,482
Other expenses			
Administration expenses		**2,459**	2,611
Employee expenses			
Wages and salaries		**1,901**	1,025
Superannuation		**84**	111
Leave provisions		**4**	7
Other benefits		**8**	7
Share-based payments – equity settled	34	**-**	101
		1,997	1,251
Oil derivative expense		**823**	3,997
Amortisation of intangibles		**171**	-
Total other expenses		**5,450**	7,859
Impairment losses			
Available for sale assets	(b)	**-**	2,656
Property, plant and equipment	(a)	**5,444**	-
		5,444	2,656
Finance costs			
Effective interest rate on bank loans		**5,233**	5,935
Amortisation of loan costs		**1,415**	658
Other loans		**19**	11
		6,667	6,604
Fair value adjustments			
Fair value gain on derivatives	32	**1,453**	34,926

Impairment loss

(a) Property, Plant and Equipment

During the period, the impairment charge of $5.4 million arose as a result of a decline in the value of oil and gas projects located in Louisiana, USA.

(b) Available for sale assets

During the previous period, impairment charge arose as a result of decline in value of investments:

- $2.656 million decline in value of investment in New Guinea Energy Ltd, of which $1.365 million was a reversal from reserves to the income statement .

	CONSOLIDATED 2010 $'000	2009 $'000

6. INCOME TAX EXPENSE/(BENEFIT)

(a) Income tax expense/(benefit)

	2010 $'000	2009 $'000
Current tax	**-**	-
Deferred tax	**(1,614)**	12,925
Under/(over) provided in prior years	**(83)**	(763)
	(1,697)	12,162
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**-**	3,805
(Decrease)/increase in deferred tax liabilities	**(1,614)**	9,120
Foreign exchange difference	**-**	-
	(1,614)	12,925

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	2010 $'000	2009 $'000
Profit/(loss) from continuing operations before income tax expense	**(2,103)**	19,232
Tax at the Australian tax rate of 30% (2009: 30%)	**(631)**	5,770
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non assessable/deductible items	**(767)**	1,839
Unrecognised temporary differences	**(6)**	-
	(1,404)	7,609
Difference in overseas tax rates	**(210)**	162
Revision of deferred tax from prior years	**-**	5,155
Under/(over) provision in prior years	**(83)**	(764)
Income tax expense/(benefit)	**(1,697)**	12,162

		CONSOLIDATED	
		2010	2009
	Note	$'000	$'000

7. TRADE AND OTHER RECEIVABLES

Current			
Trade debtors		**4,364**	3,548
Other debtors		**-**	114
		4,364	3,662
Non-current			
Deposits		**103**	56

There are no impaired trade receivables or any past due but not impaired balances for the Group in 2010 or 2009.
To date, no trade debtors have a history of default.
Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

Refer to Note 2 for information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

8. INVENTORIES

Current			
Oil stocks		**1,798**	1,476

Inventories are made up of oil in tanks as at reporting date.

The carrying amount of inventories is valued at NYMEX WTI oil price at year end.
2010: $US71.29/BO (2009: $US65.63/BO)

9. OTHER ASSETS

Current			
Prepayments		**1,129**	2,613

10. AVAILABLE FOR SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following classes of financial assets:

Listed securities - equity securities		**4,171**	4,448
Provision for impairment of investments	(a)	**(1,303)**	(2,656)
		2,868	1,792

(a) Impaired investment
During the current period, the investment in Australian Renewable Fuels was sold and the provision for impairment was reversed.

In the previous period, the market value of shares in listed entities was materially lower than original cost and an impairment provision recorded.

	Note	CONSOLIDATED 2010 $'000	2009 $'000

11. DEFERRED EXPLORATION EXPENDITURE

Exploration and evaluation costs carried forward in respect of areas of interest			
Exploration and/or evaluation phase			
		1,511	3,418

The ultimate recoupment of costs carried forward for the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

Reconciliation
Reconciliation of carrying amounts of exploration and evaluation expenditure at eh beginning and end of the current financial year:

		2010	2009
Balance at start of the period		**3,418**	12,321
Additions		**206**	10,650
Expenditure written off *		**(1,859)**	(24,011)
Foreign exchange translation		**(254)**	4,458
Balance at the end of the period		**1,511**	3,418

*During the current year, projects costs were fully written off when the wells drilled failed to discover economically recoverable hydrocarbons.

12. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		
	Oil & gas properties $'000	Plant & equipment $'000	Total $'000
At 1 July 2008			
Cost	168,894	848	169,742
Accumulated amortisation and impairment	(34,074)	(557)	(34,631)
Net book amount	**134,820**	**291**	**135,111**
Year ended 30 June 2009			
Opening net book amount			
Expenditure incurred during the year on existing properties	134,820	291	135,111
Transfer from exploration	23,804	-	23,804
Additions	-	228	228
Disposals	-	(1)	(1)
Exchange adjustment	27,440	-	27,440
Amortisation/depreciation charge	(13,846)	(97)	(13,943)
Closing net book carrying amount	172,218	421	172,639
At 30 June 2009			
Cost	**225,583**	**1,085**	**226,668**
Accumulated amortisation and impairment	**(53,365)**	**(664)**	**(54,029)**
Net book amount	**172,218**	**421**	**172,639**
Year ended 30 June 2010			
Opening net book amount	172,218	421	172,639
Expenditure incurred during the year on existing properties			
Additions	18,556	409	18,965
Disposals	(2,063)	(4)	(2,067)
Asset retirement obligation	2,201	-	2,201
Exchange adjustment	(9,592)	(26)	(9,618)
Impairment	(5,444)	-	(5,444)
Amortisation/depreciation charge	(14,900)	(112)	(15,012)
Closing net book carrying amount	160,976	688	161,664
At 30 June 2010			
Cost	**228,123**	**1,433**	**229,556**
Asset retirement obligation (ARO)	**2,201**	**-**	**2,201**
Accumulated amortisation and impairment	**(69,348)**	**(745)**	**(70,093)**
Net book amount	**160,976**	**688**	**161,664**

Refer to Note 15 for information on non-current assets pledged as security by the Group.

Impairment of assets

An impairment charge has resulted from a downgrade in the value of proven reserves on the Longville project located in Louisiana, USA.

Initially multiple targets were identified from seismic work undertaken on the project and in the previous financial year, six wells were drilled on this area of interest. It was anticipated as at 30 June 2009 that the drilling program would continue.
Steeper than anticipated production decline rates were experienced on the Longville wells and it was determined with the operator that no further drilling would take place. As a result, reserves were downgraded and an impairment charge of $5.4 million (2009: Nil) has been recognised.

The recoverable amount has been estimated as the asset's value in use, using the present value of future cashflows based upon available reserves calculated by the Company's petroleum engineers, using a discount rate of 10%.

	Note	CONSOLIDATED 2010 $'000	2009 $'000
13. DEFERRED TAX ASSETS			
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss:			
Property, plant and equipment		**8**	-
Capitalised costs		**704**	-
Depletion carried forward		**2,974**	-
Accruals		**4,295**	3,866
Employee benefits		**-**	117
Derivative fair value		**679**	1,265
Oil and gas leasehold costs		**3,114**	2,818
Tax losses		**9,467**	10,516
Impairment		**-**	3,694
Sundry items		**-**	96
Total deferred tax assets		**21,242**	22,372
Set-off deferred tax liabilities	16	**(19,846)**	(20,869)
Amounts recognised directly in equity:			
Share issue costs		**478**	76
Net deferred tax assets		**1,874**	1,579
Movements			
Opening balance at 1 July		**1,579**	2,125
Credited/(charged) to profit and loss		**719**	(3,805)
Credited/(charged) to equity		**(192)**	-
Exchange difference		**-**	4,339
Set-off deferred tax liabilities		**(232)**	(1,080)
Closing balance at 30 June		**1,874**	1,579

The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

	Note	CONSOLIDATED 2010 $'000	2009 $'000

14. TRADE AND OTHER PAYABLES

	Note	2010 $'000	2009 $'000
Current			
Trade payables		**1,107**	1,628
Other payables	(a)	**305**	251
		1,412	1,879
Non-current			
Advances payable		**27**	-
		27	-

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(a) Amounts not expected to be settled within the next 12 month

Other payables include accruals for annual leave and long service leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months.

	2010 $'000	2009 $'000
The following amounts reflect leave that is not expected to be taken within the next 12 months		
Annual leave and long service leave obligations expected to be settled after 12 months	**-**	60

(b) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in Note 2.

15. BORROWINGS

	2010 $'000	2009 $'000
Current		
Other loans (ii)	**-**	2,000
Accrued interest	**-**	11
Bank loans – secured (i)	**-**	11,183
Accrued bank interest	**285**	484
	285	13,678
Non-current		
Bank loans – secured (i)	**50,925**	56,516
Other loans (ii)	**-**	21
	50,925	56,537

(a) Financing Arrangements

(i) Secured Bank Facilities

In May 2010, the US bank credit facility was renegotiated with BNP Paribas.

The bank facility has two components:

1. Senior Secured Revolving Credit Facility
   Borrowing base: $US51 million, drawn to $US46 million. The loan bears interest at a LIBO rate plus an applicable margin or prime rate plus margin, payable monthly.
   The principal balance is due and payable in May 2013. (2009: Wells Fargo facility due 29 November 2009)

2. Letter of Credit
   The facility allows for a $US2.5 million letter of credit. The company has not drawn any advances on the letter of credit as at 30 June 2010 (2009: nil).

15. BORROWINGS (continued)

Amadeus Petroleum Inc. successfully negotiated a new syndicated credit facility agreement with BNP Paribas in May 2010.

Loan advances are secured by the Company's US oil and gas properties. Borrowings under the credit agreement are subject to a borrowing base calculation, redetermined semi-annually.

As at 30 June 2010 the borrowing base was $US51 million (2009: $US39 million). The Company has no commitments to principal repayments until maturity of the loan.

As at 30 June 2010, the outstanding loan balance was $US44.7 million (2009: $US55.7 million).
The US revolving line of credit is denominated in US dollars.
Details of interest rate exposure and the fair value of borrowings are set out in Note 32.

(ii) Other loans

Unsecured loans

A short term loan by the parent was fully repaid in August 2009. No other loans are outstanding as at 30 June 2010. (2009: The parent entity had a $A2,000,000 short-term unsecured loan from a third-party, with interest at a fixed rate of 7% pa)

(b) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	CONSOLIDATED	
	2010	**2009**
	$'000	**$'000**
Bank loans	**50,925**	67,699
Total secured liabilities	**50,925**	67,699

The bank loans are secured by the Group's US oil and gas properties.

15. BORROWINGS (continued)

(c) Secured liabilities and assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are as follows:

	Note	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
Property, plant and equipment – oil and gas properties	12	**158,877**	172,218
Total non-current assets pledged as security		**158,877**	172,218

(d) Fair Value

The following table sets out the carrying amounts and fair values of financial liabilities at balance date:

	2010 Carrying amount $'000	2010 Fair value $'000	2009 Carrying amount $'000	2009 Fair value $'000
On-balance sheet				
Financial liabilities				
- Payables	**1,107**	**1,107**	1,629	1,629
- Borrowings	**50,925**	**50,925**	67,699	67,699
- Other liabilities	**2,397**	**2,397**	3,716	3,716

The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant.
No off-balance sheet liabilities are reported as at 30 June 2010 (2009: Nil).

(e) Risk exposure

Information about the Group's and the parent entity's exposure to interest rate and foreign exchange risk is provided in Note 2.

16. DEFERRED TAX LIABILITIES

	Note	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss:			
Accrued interest		3,888	3,370
Prepayments		6	-
Property, plant and equipment		18	-
Book/tax difference in carrying value of intangible asset		7	-
Oil in tanks		532	-
Oil and gas leasehold costs		31,991	36,345
Total deferred tax liabilities		36,442	39,715
Deferred tax asset set-off	13	(19,846)	(20,869)
Share issue costs		476	-
Net deferred tax liabilities		17,072	18,846
Movements			
Opening balance at 1 July		18,846	6,688
Credited / (charged) to income statement		(1,087)	9,120
Credited / (charged) to equity		476	-
FX movements		(931)	4,118
Deferred tax asset set-off		(232)	(1,080)
Closing balance at 30 June		17,072	18,846

The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

	Note	CONSOLIDATED 2010 $'000	2009 $'000
17. PROVISIONS			
Non-current			
Provision for rehabilitation	1 (s)	**1,997**	-
Provision for employee entitlements		**5**	15
Sundry provisions		**16**	125
		2,018	140

	2010 Shares No.	2010 $ '000	2009 Shares No.	2009 $'000
18. CONTRIBUTED EQUITY				
(a) Share capital				
Ordinary shares				
Fully paid	**304,030,905**	**87,630**	**198,358,207**	**62,136**

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue Price	$'000
30 Jun 2008	Opening Balance		208,424,715		**66,483**
Sep 2008 to Jan 2009	Shares bought back on-market and cancelled	(c)	(10,066,508)	$0.428	(4,396)
30 Jun 2009	Reversal of tax impact from prior year		-	-	49
30 Jun 2009	**Balance**		**198,358,207**		**62,136**
Aug to Sep 2009	Capital raising (net of costs)	(d)	96,155,000	$0.26	25,000
	Transaction costs		-	-	(1,981)
Oct 2009	Share Purchase Plan	(e)	9,517,698	$0.26	2,475
30 June 2010	**Balance**		**304,030,905**		**87,630**

(c) Ordinary shares

Share buy-back: During the period from September 2008 to January 2009 the Company purchased and cancelled 10,065,508 fully paid ordinary shares through an on-market share buy-back. The buyback and cancellation was in accordance with the on-market share buyback announced on 12 September 2008. The shares were acquired at an average price of $0.428 per share, with prices ranging from $0.485 to $0.32. The total cost of $4.3 million was deducted from shareholder equity.

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Share issue

On 16 Sept 2009 the Company completed a private share placement of 96 million shares at an issue price of $0.26 per share, thereby raising $25 million. The principal use of these funds was to reduce bank debt.

(e) Share Purchase Plan

Eligible shareholders were invited to participate in an SPP on the same terms as the share issue undertaken to institutional investors. 9.5 million shares were issued and raised $2.5 million.

18. CONTRIBUTED EQUITY continued

(f) Shares under options

Information in relation to the Amadeus Employee Option Scheme, including details of options issued, exercised or lapsed during the financial year is set out in Note 34.

Options over ordinary shares:
No listed options were on issue at 30 June 2009 (2009: Nil).

(g) Capital risk management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders and to maintain capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and trade and other payables as shown in the balance sheet less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet, including minority interest plus net debt.

	CONSOLIDATED	
	2010	**2009**
	$'000	**$'000**
Total borrowings	**50,925**	67,699
Less: cash and cash equivalents	**(7,968)**	(2,204)
Net debt	**42,957**	65,495
Total equity	**115,853**	94,643
Total capital	**158,810**	160,138
Gearing ratio	**27%**	40%

The gearing ratio fell from 40% to 27% due to repayment of $US11 million off bank loans in the US.

	CONSOLIDATED 2010 $'000	2009 $'000

19. RESERVES AND RETAINED EARNINGS

(a) Reserves

Foreign currency translation reserve	**(8,758)**	(3,733)
Share-based payments reserve	**1,495**	1,495
Fair value reserve	**1,766**	661
	(5,497)	(1,577)
Movements		
Foreign currency translation reserve		
Balance I July	**(3,733)**	(17,608)
Gain/(loss) on translation of foreign controlled entities	**(5,025)**	13,875
Balance 30 June	**(8,758)**	(3,733)
Share-based payments reserve		
Balance 1 July	**1,495**	1,305
Options expense	**-**	190
Balance 30 June	**1,495**	1,495
Fair value reserve		
Balance 1 July	**661**	(802)
Change in fair value of available for sale investments (net of tax)	**1,580**	1,990
Prior year tax impact reversed	**(475)**	(527)
Balance 30 June	**1,766**	661

(b) Retained profits

Movements in retained profits were as follows:

Balance 1 July	**34,124**	27,069
Net profit / (loss) attributable to members of the Company	**(404)**	7,055
Balance 30 June	**33,720**	34,124

(c) Nature and purpose of reserves

(i) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

(ii) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

(iii) Share-based payment reserve

The share base payment reserve represents the value of options issued to employees. This reserve will be reversed against share capital when the options are converted into shares by the employee.

20. DIVIDENDS

During the period no dividends were paid or proposed.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	CONSOLIDATED 2010 $'000	2009 $'000
Short term employee benefits	1,725	1,730
Post employment benefits	406	97
Non-monetary benefits	168	45
Share based payments	-	101
	2,299	1,973

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options can be found in section D of the audited Remuneration Report of the Directors Report.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Amadeus Energy Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2010 Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes#	Balance at the end of the year	Unvested	Vested and exercisable
Directors of Amadeus Energy Limited							
C Coleman	-	-	-	-	-	-	-
R Scott	750,000	-	-	(750,000)	-	-	-
G Towner	-	-	-	-	-	-	-
P Lehle	1,500,000	-	-	-	1,500,000	-	1,500,000
A Beard	-	-	-	-	-	-	-
A Peacock *	2,000,000	-	-	-	2,000,000	-	2,000,000
S Pearce *	-	-	-	-	-	-	-
Key management personnel							
C Bentley *	-	-	-	-	-	-	-
M Wells	3,000,000	-	-	-	3,000,000	-	3,000,000
B Dieter	1,000,000	-	-	-	1,000,000	-	1,000,000

 # Note: Other changes
During the year the following options expired that were previously issued to Directors:
30 November 2009: 750,000 options expired with an exercise price of $1.20.
* Resigned as a director during the year ended 30 June 2010

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2009 Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes#	Balance at the end of the year	Unvested	Vested and exercisable
Directors of Amadeus Energy Limited							
A Peacock	2,000,000	-	-	-	2,000,000	-	2,000,000
R Scott	1,500,000	-	-	(750,000)	750,000	-	750,000
G Towner	750,000	-	-	(750,000)	-	-	-
C Bentley	750,000	-	-	(750,000)	-	-	-
P Lehle	1,500,000	-	-	-	1,500,000	-	1,500,000
C Coleman	-	-	-	-	-	-	-
S Pearce	-	-	-	-	-	-	-
Key management personnel							
M Wells	1,500,000	1,500,000	-	-	3,000,000	-	3,000,000
B Dieter	-	1,000,000			1,000,000	-	1,000,000

 # Note: Other changes
During the year the following options were cancelled that were previously issued to Directors:
10 January 2008: 2,750,000 options cancelled with exercise price of $1.75 and expiry date of 30 Oct 2010; and
1 May 2008: 2,000,000 options cancelled with exercise price of $1.20 and expiry date of 30 Nov 2009.

(iii) Share holdings

The number of shares in the Company held during the financial year by each director of Amadeus Energy Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010 Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of Amadeus Energy Limited				
Ordinary shares				
C Coleman	1,000,000	-	-	1,000,000
R Scott	2,005,000	-	-	2,005,000
G Towner	13,409,870	-	-	13,409,870
P Lehle	430,000	-	-	430,000
A Beard	-	-	-	-
A Peacock *	46,000	-	-	46,000
S Pearce *	1,000,000	-	-	1,000,000
Other key management personnel of the Group				
Ordinary shares				
C Bentley *	235,000	-	-	235,000
B Dieter	68,000	-	-	68,000
M Wells	20,000	-	-	20,000

*Resigned as a director during the year ended 30 June 2010

2009	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of Amadeus Energy Limited				
Ordinary shares				
A Peacock	46,000	-	-	46,000
R Scott	2,005,000	-	-	2,005,000
G Towner	13,324,870	-	85,000	13,409,870
C Bentley	235,000	-	-	235,000
P Lehle	297,000	-	133,000	430,000
C Coleman	1,000,000	-	-	1,000,000
S Pearce	1,000,000	-	-	1,000,000
Other key management personnel of the Group				
Ordinary shares				
B Dieter	-	-	68,000	68,000
M Wells	-	-	20,000	20,000

There are no loans or other transactions at the end of the current year and prior year to Directors or key management personnel of Amadeus Energy Limited.

22. RELATED PARTY TRANSACTIONS

(a) Parent entity
The parent entity within the Group is Amadeus Energy Limited.

(b) Subsidiaries
Interests in subsidiaries are set out in Note 26.

(c) Key management personnel
Disclosures relating to key management personnel are set out in Note 21.

(d) Transactions with related parties

Services
A deed pursuant to a management contract was in place between the Company, Spinifex Holdings Pty Ltd ("Spinifex"), a company in which Mr Towner has an interest, whereby Spinifex provides consulting services to the Company. The term of the agreement is for a period of 5 years, commencing June 2007.

Coverley Management Services Pty Ltd, a company in which Mr Scott has an interest, has an agreement with the Company to provide advisory assistance. The term of the agreement is for an indefinite period.

Raritan Resources Inc, a company in which Mr Lehle has an interest, has an agreement with Amadeus Petroleum Inc to provide geological and technical consulting services. The agreement ceased on 1 June 2010.

Andrew Peacock and Associates Pty Ltd, a company in which Mr Peacock has an interest provided corporate advisory services. The agreement ceased on 14 October 2009.

bioMD Ltd, a company in which Mr R Scott is a Director, has an agreement with the Company whereby Amadeus provides company secretarial and administration services, on normal commercial terms, commencing from 27 November 2006 and also sub-leases office space which has been renewed on a month-to-month basis since December 2009.
As at 30 June 2010 bioMD owes Amadeus Energy Ltd a balance of $4,460 (2009: $6,960).

The following transactions occurred with related parties:

	Note	THE COMPANY 2010 $ '000	THE COMPANY 2009 $ '000
Other transactions			
Remuneration paid to directors of the ultimate Australian parent entity		**1,232**	1,212
Company secretarial and administration fees charged to bioMD Ltd		**30**	30
Office recharge costs to bioMD Limited		**38**	47
(e) Outstanding balances arising from management services			
The following balances are outstanding at the reporting date in relation to transactions with related parties:			
Trade payables		**-**	7
Accounts receivable		**5**	-

No provisions for doubtful debts have been raised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

	CONSOLIDATED 2010 $'000	2009 $'000

23. CASH AND CASH EQUIVALENTS

(a) Reconciliation to cash at the end of the year

	2010 $'000	2009 $'000
Cash at bank and in hand	**7,968**	2,247
Bank overdraft	**-**	(43)
Balances per statement of cash flows	**7,968**	2,204

(b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 2.

(c) Reconciliation of profit/(loss) after income tax to net cash flows provided by operating activities

	2010 $'000	2009 $'000
Profit / (loss) for the year	**(404)**	7,055
Amortisation	**14,968**	13,856
Depreciation	**112**	97
Exploration write-down	**1,859**	24,011
Loss on sale of investments	**29**	-
Profit on restatement of investment in associate to AFS	**-**	(511)
Impairment loss	**5,444**	2,656
Employee share options expense	**-**	101
Consultant's share options expense	**-**	89
Fair value adjustment of derivatives	**(1,453)**	(34,926)
Amortisation of finance costs	**1,415**	659
Net exchange differences	**(1,908)**	(4,821)
Changes in operating assets and liabilities		
- (Increase)/decrease in inventories	**(321)**	1,033
- (Increase)/decrease in prepayments	**1,132**	4,162
- (Increase)/decrease in accounts receivable	**(702)**	5,073
- Increase/(decrease) in trade creditors/accrued interest	**(667)**	(1,686)
- Increase/(decrease) in provisions	**1,905**	36
- Increase/(decrease) in deferred tax	**(2,069)**	12,704
Net cash (outflow)/inflow from operating activities	**19,340**	29,588

	CONSOLIDATED 2010 $'000	2009 $'000
24. REMUNERATION OF AUDITORS		
(a) Audit services		
BDO Audit (WA) Pty Ltd	41	44
Non-BDO audit firms for the audit or review of financial reports of any entity in the Group	35	63
Total remuneration for audit services	76	107
(b) Non-audit services		
Taxation services		
Related entities of BDO Audit (WA) Pty Ltd		
Tax compliance services	-	-
Non-BDO audit firms	44	30
	44	30
Other services		
Related entities of BDO Audit (WA) Pty Ltd	2	-
Non-BDO audit firms	54	22
	56	22
Total remuneration for non-audit services	100	52

25. SUBSEQUENT EVENTS

Since the end of the financial year Mr Geoffrey Towner has tendered his resignation from Amadeus Energy Limited, effective from 30 September 2010. A termination payment of $225,000 will be paid with respect to his resignation. This has not been included within the financial statements as at 30 June 2010.

26. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name of entity	Country of Incorporation	Class of Shares	Equity Holding * 2010 %	2009 %
Amadeus Petroleum Inc.	**USA**	Ordinary	**100.00**	100.00
Albany Drilling Services LLC	**USA**	Ordinary	**100.00**	90.25
TNT Engineering Inc ^	**USA**	Ordinary	**100.00**	N/A

^ TNT Engineering Inc was purchased in December 2009 (refer to Note 27).
* The proportion of ownership interest is equal to the proportion of voting power held.

27. BUSINESS COMBINATION

ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTEREST

On 15 December 2009 the Group acquired 100% of the share capital of TNT Engineering Inc ('TNT"), a company that operates oil and gas properties in Kansas and Texas, USA. Taking control of TNT will enable the Group to deliver cost savings, a full complement of technical staff and control over the exploration and development program in Kansas and Texas.

In the period from 15-31 December 2009, TNT contributed $64k loss to the Group.

The consideration paid for the acquisition was $6.3 million in cash. Costs associated include $67k in legal fees and $43k in due diligence costs.

The identifiable assets and liabilities assumed

	CONSOLIDATED	
	2010 Fair value $'000	**2009 Fair value $'000**
Cash and cash equivalents	**2,067**	-
Trade debtors	**367**	-
Property, plant and equipment	**155**	-
Trade and other payables	**(2,581)**	-
Total net identifiable assets	**8**	-
Less non-controlling interest	**-**	-
Add: Intangible	**6,185**	-
	6,193	-

Intangible asset acquired
An intangible asset balance arises primarily as a result of the value of operating agreements in TNT as follows:

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Total cash consideration paid	**6,193**	-
Less identifiable assets	**(8)**	-
Intangible on acquisition	**6,185**	-
Amortisation of intangible	**(171)**	-
FX gain/loss	**297**	-
Closing balance	**6,311**	-

The intangible asset has been amortised for the period since 15 Dec 2009.
Acquisition related costs of $110k have been included in the statement of comprehensive income in accordance with the revised AASB 3.

Purchase consideration – cash outflow

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Outflow of cash to acquire subsidiary, net of cash acquired		-
Cash consideration	**6,193**	-
Less: balances acquired	**(2,067)**	-
FX gain/loss	**(112)**	-
Outflow of cash – investing activities	**4,014**	-

28. SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. Two reportable segments have been identified as follows:

- US exploration; and
- US production.

The Board monitors performance of each segment.

(b) Segment information provided to the Board of Directors

The Board of Directors assesses the performance based on a measure of EBITDA. This measurement basis excludes the effects of non-recurring or non-cash items such as unrealised gains/losses on financial instruments. Interest income is not allocated to segments, as this type of activity is driven by head office, which manages the cash position of the Group.

The segment information for the year ended 30 June 2010 is as follows:

2010	US - Exploration $'000	US - Production $'000	TOTAL $'000
Total segment revenue	-	44,107	44,107
Inter-segment revenue	-	-	-
EBITDA	(1,859)	21,394	19,535
Total segment assets	1,511	182,833	184,344
Total segment liabilities	-	146,190	146,190

The segment information for the year ended 30 June 2009 is as follows:

2009	US - Exploration $'000	US - Production $'000	TOTAL $'000
Total segment revenue	-	**54,317**	**54,317**
Inter-segment revenue	-	-	-
EBITDA	(24,011)	32,316	8,305
Total segment assets	3,418	182,595	186,013
Total segment liabilities	-	144,603	144,603

(c) Other segment information

(i) Segment revenue

Segment revenue reconciles to total revenue from continuing operations as follows:

Reconciliation of reportable revenue

	Consolidated	
	June 2010 $'000	June 2009 $'000
Total segment revenue	**44,107**	54,317
Interest revenue – parent entity	**162**	44
Other revenue	**42**	42
Total revenue from continuing operations	**44,311**	54,403

The amount of total revenue from external customers in US is $42.2million (2009: $51.1 million) and the total revenue from external customers in Australia is $42,000 (2009: $42,000).

Revenues of approximately $15.1 million were derived from Coffeyville Resources, $4.6 million from Sunoco (2009: $5.3 million) as external customers of sales of oil and gas in US. (2009: TNT Engineering Inc of $27.7 million and Trio Operating Inc $10.9 million).

28. SEGMENT INFORMATION (continued)

(ii) EBITDA

The board of directors assesses the performance of the operating segments based on a measure of EBITDA. EBITDA reconciles to operating profit before income tax as follows:

Reconciliation of reportable segment EBITDA

	Consolidated	
	June 2010 $'000	June 2009 $'000
Total EBITDA for reportable segments	**19,535**	8,305
Other income	**204**	-
Amortisation and depreciation	**(15,182)**	(13,953)
Fair value adjustments	**1,453**	34,926
Finance costs	**(6,667)**	(6,604)
Impairment loss	**-**	-
Other profit or loss	**(29)**	515
Unallocated:		-
Other corporate expenses	**(1,417)**	(3,957)
Consolidated profit/(loss) before income tax	**(2,103)**	19,232

(iii) Segment assets

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Segment assets reconciles to total assets as per the Statement of Financial Position as follows:

Reconciliation of reportable segment assets

	Consolidated	
	June 2010 $'000	June 2009 $'000
Segment assets	**184,344**	186,013
Unallocated:		
Deferred tax assets	**1,874**	1,579
Available for sale financial assets	**2,868**	1,792
Other	**903**	98
Total assets as per the Statement of Financial Position	**189,989**	189,482

(iv) Segment liabilities

The amounts provided to the board of directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment and the physical location of the liability.

Segment liabilities reconciles to total liabilities as per the Statement of Financial Position as follows:

Reconciliation of reportable segment liabilities

	Consolidated	
	June 2010 $'000	June 2009 $'000
Segment liabilities	**146,190**	144,603
Intersegment eliminations	**(76,664)**	(55,636)
Unallocated:		
Deferred tax liabilities – parent entity	**4,370**	3,370
Other	**240**	491
Borrowings	**-**	2,011
Total liabilities as per the Statement of Financial Position	**74,136**	94,839

	CONSOLIDATED	
	2010	2009
	$'000	$'000

29. COMMITMENTS

(a) Operating lease commitments

Future operating lease commitments not provided for in the financial statements and payable:

	2010 $'000	2009 $'000
Within one year	**213**	123
Later than one year or later and not later than five years	**1,048**	79
Later than five years	**-**	-
	1,261	202

(b) Remuneration commitments

Commitments for the payment of salaries and other remuneration under long term service agreements in existence at the reporting date but not recognised as liabilities payable:

	2010 $'000	2009 $'000
Within one year	**953**	740
Later than one year or later and not later than five years	**-**	1,100
Later than five years	**-**	-
	953	1,840

Amounts disclosed as remuneration commitments include commitments arising from service contracts of key management personnel referred to in the Remuneration Report that are not recognised as liabilities and are not included in the key management personnel compensation.

	CONSOLIDATED 2010 No. of Shares	2009 No. of Shares
30. EARNINGS/(LOSS) PER SHARE		
(a) Weighted average number of ordinary shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	287,865,054	201,553,383
Adjustments for calculation of diluted earnings/(loss) per share		
Options	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	287,865,054	201,553,383

	CONSOLIDATED 2010 $'000	2009 $'000
(b) Earnings/(loss) used in calculating earnings per share		
Basic earnings/(loss) per share	(404)	7,055
Diluted earnings /(loss) per share	(404)	7,055

(c) Information concerning the classification of securities

Options – Options granted under the Amadeus Employee Option Incentive Plan are considered to be potential ordinary shares, but have not been included in the determination of diluted earnings per share as they are 'out of the money'. The options have not been included in the determination of basic earnings/(loss) per share. Details relating to the options are set out in Note 34.

	CONSOLIDATED 2010 $'000	2009 $'000
31. NON-CONTROLLING INTEREST		
Interest in:		
Retained profits	-	(134)
Reserves	-	-
Share capital	-	94
	-	(40)

	CONSOLIDATED	
	2010	**2009**
	$'000	**$'000**

32. DERIVATIVE FINANCIAL INSTRUMENTS

Current assets		
Commodity cap / collar contracts	**351**	-
Non-current assets		
Commodity cap / collar contracts	**48**	-
Total assets	**399**	-
Current liabilities		
Interest rate swap contracts	-	1,069
Commodity cap / collar contracts	**1,694**	800
	1,694	1,869
Non-current liabilities		
Commodity cap / collar contracts	**703**	1,847
Total liabilities	**2,397**	3,716

(a) Risk exposures
Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 2.

(b) Instruments used by the Group
From time to time, the Group is party to derivative financial instruments, in the normal course of business, in order to hedge exposure to fluctuations in interest rates and commodity prices.

(i) Commodity hedges
The Group enters contracts to hedge a proportion of production to protect from exposure to falling commodity prices on anticipated future sales of light sweet crude oil and natural gas. Accordingly the Group has entered into cap/collar hedge contracts or swaps for both oil and gas.
Commodity hedge contracts outstanding are outlined below.

2010 NYMEX LIGHT SWEET CRUDE OIL/NATURAL GAS HEDGES – Swaps

Period	Swap price	Premium	Product
July 2010 – Dec 2010	$US66.85	$Nil	35,400 BO
July 2010 – Dec 2010	$US66.50	$Nil	35,400 BO
Jan 2011 – Dec 2011	$US70.00	$Nil	96,300 BO
July 2010 – Dec 2010	$US6.00	$Nil	268,800 mmbtu
Jan 2011 – Jun 2011	$US6.80	$Nil	139,500 mmbtu

32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

2010 NYMEX LIGHT SWEET CRUDE OIL/NATURAL GAS HEDGES – Cap/Collars				
Period	**Collar Price**	**Cap Price**	**Premium**	**Product**
July 2010 - Dec 2010	$US65.00	$US83.50	$Nil	18,176 BO
Jan 2011 – Dec 2011	$US65.00	$US90.50	$Nil	62,640 BO
Jan 2012 – Dec 2012	$US65.00	$US96.20	$Nil	142,176 BO
Jan 2013 – Jun 2013	$US65.00	$US100.10	$Nil	64,902 BO
July 2010 – Dec 2010	$US4.00	$US5.35	$Nil	94,524 mmbtu
Jan 2011 – Dec 2011	$US4.00	$US7.55	$Nil	97,116 mmbtu
Jan 2012 – Dec 2012	$US4.00	$US8.95	$Nil	165,756 mmbtu
Jan 2013 – July 2013	$US4.00	$US9.90	$Nil	67,866 mmbtu

Commodity contracts in place cover approximately 32% of the level of future average monthly oil sales (2009: 60%) and 32% of gas sales (2009: 14%).

2009 NYMEX LIGHT SWEET CRUDE OIL/NATURAL GAS HEDGE				
Period	**Collar/Swap price**	**Cap Price**	**Premium**	**Product**
Jul 2009 - Dec 2009	$US55.00	$US84.30	$Nil	144,000 BO
Jan 2010 – Dec 2010	$US66.85	-	$Nil	70,800 BO
Jan 2010 – Dec 2010	$US66.50	-	$Nil	70,800 BO
Jan 2011 – Dec 2011	$US70.00	-	$Nil	96,300 BO
Jan 2010 – Dec 2010	$US6.00	-	$Nil	268,800 mmbtu
Jan 2011 – Jun 2011	$US6.80	-	$Nil	139,500 mmbtu

Commodity contracts in place cover approximately 60% of the level of future average monthly oil sales (2008: 74%) and 14% of gas sales (2008: nil).

The gain or loss incurred during the financial year on remeasuring the commodity hedging instruments at fair value is immediately recognised in profit and loss is as follows:

	2010		2009	
	Gains $'000	**Losses $'000**	**Gains $'000**	**Losses. $'000**
NYMEX light sweet crude oil/natural gas	3,013	2,536	40,896	6,195

The net fair value of commodity hedges at 30 June 2010 was a liability of $2.0 million (2009: liability of $2.6 million) comprising assets of $0.4 million assets (2009: $nil) and liabilities of $2.4 (2009: $2.6 million).

(ii) Interest rate swap hedges
US bank loans of the Group currently bear variable interest rates.
No interest rate swap contracts are currently outstanding as at 30 June 2010.

2009 INTEREST RATE SWAP				
Expiration	**Underlying**	**Fixed rate**	**Notional amount of contracts outstanding**	**Fair value (Liability) $A'000**
December 2009	Floating to Fixed	4.93%	$US40,000,000	1,068

The gain or loss from measuring the interest swap at fair value is recognised immediately in the profit or loss as follows:

	2010		2009	
	Gains $'000	**Losses $'000**	**Gains $'000**	**Losses. $'000**
Interest rate swap	976	-	903	678

The net fair value of interest hedges at 30 June 2010 was N/A as no hedge in place (2009: liability of $1.1 million).

33. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Refer to Note 1 for details.

34. SHARE BASED PAYMENTS

Amadeus Employee Option Incentive Plan

The Company employee option incentive plan was approved by shareholders at the annual general meeting held on 14 November 1997. Eligible employees (as defined in the Plan and which includes Executive Directors and employees) are able to participate in the Plan.

The terms of the Plan include:

- Options are issued to eligible employees for free;
- The allotment of options is at the discretion of the Board of Directors;
- Shares allotted on the exercise of options are to be issued at an exercise price to be determined by the Board in its absolute discretion;
- Options expire four or five years after grant date;
- Options are unlisted;
- Options carry no dividend rights or voting rights.

The Company has a total of 4,000,000 staff options over ordinary shares in the Company as at 30 June 2010. (2009: 5,000,000 staff options).

During the current financial year nil options were issued to employees. (2009: 2,500,000 options were issued to employees, with an exercise price of $0.90 or $0.80 and expiry dates of 4 August 2012 and 1 May 2013).

During the current financial year 1,000,000 staff options expired with an exercise price of $1.20 and expiry date of 30 Nov 2009. (2009: 3,000,000 options expired with exercise price of $0.75 and expiry date of 30 Nov 2008).

Set out below are summaries of options granted under the Plan

Grant date	Expiry date	Exercise price $	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Cancelled or expired during the year Number	Vested and Exercisable at end of year Number
2010							
30-Nov-05	30-Nov-09	1.20	1,000,000	-	-	(1,000,000)	-
1-May-08	1-May-12	0.80	1,500,000	-	-	-	1,500,000
4-Aug-08	4-Aug-12	0.90	1,000,000	-	-	-	1,000,000
1-May-09	1-May-13	0.80	1,500,000	-	-	-	1,500,000
Total			**5,000,000**	**-**	**-**	**(1,000,000)**	**4,000,000**
Weighted average exercise price			$0.90	-	-	$1.20	$0.825
Weighted average contractual life of share options outstanding at the end of the period was 2.3 years							
2009							
08-Nov-04	08-Nov-08	0.75	3,000,000	-	-	(3,000,000)	-
30-Nov-05	30-Nov-09	1.20	1,000,000	-	-	-	1,000,000
1-May-08	1-May-12	0.80	1,500,000	-	-	-	1,500,000
4-Aug-08	4-Aug-12	0.90	-	1,000,000	-	-	1,000,000
1-May-09	1-May-13	0.80	-	1,500,000	-	-	1,500,000
Total			**5,500,000**	**2,500,000**	**-**	**(3,000,000)**	**5,000,000**
Weighted average exercise price			$0.8455	$0.84	-	$0.75	$0.90
Weighted average contractual life of share options outstanding at the end of the period was 2.6 years							

Fair value of options granted

The assessed average fair value at grant date of options granted during the year ended 30 June 2010 was nil cents per option (2009: 4.6 cents). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the option term, the share price at grant date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

34. SHARE BASED PAYMENTS (continued)

No options have been issued during the year ended 30 June 2010.

The model inputs for options granted during the year ended 30 June 2009 included:
- Options granted for no consideration, have a four year life and exercisable at any time prior to expiry date
- Exercise price$0.80 and $0.90)
- Grant date: 4 August 2008 and 1 May 2009
- Expiry date: 4 August 2012 and 1 May 2013
- Share price at grant date: $0.55 and $0.29
- Expected price volatility of the company's shares: 45% and 55%
- Expected dividend yield: Nil
- Risk-free interest rate: 6.87% and 3.60%

The expected price volatility is based on the historic volatility.

Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED	
	2010	**2009**
	$'000	**$'000**
Options issued under employee option plan	-	101

35. PARENT ENTITY INFORMATION

Current assets	**15,002**	12,484
Non-current assets	**72,261**	49,209
Total assets	**87,263**	61,693
Current liabilities	**240**	2,354
Non-current liabilities	**4,370**	3,510
Total liabilities	**4,610**	5,864
Contributed equity	**87,630**	62,136
Accumulated losses	**(8,238)**	(8,464)
Option reserve	**1,495**	1,495
Other reserve	**1,766**	662
Total equity	**82,653**	55,829
Profit/(loss) for the year	**227**	(3,637)
Other comprehensive income/(loss) for the year	**-**	-
Total comprehensive income/(loss) for the year	**227**	(3,637)

36. CONTINGENT LIABILITIES

Title dispute
A title dispute has been made against the Red Bluff Water and Power Control District ,with Amadeus Petroleum Inc and others as co-defendants in relation to a lease acquired in 2005 on the Ford East project in Reeves County, Texas. The Company believes it has good title, that the claim is opportunistic and will vigorously defend the action. Such claims are common in the US oil and gas industry. The matter is set to go to court for adjudication in January 2011. At this time, the fair value of the claim cannot be measured reliably, however the Directors believe any settlement would not be material.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards, the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the consolidated entity.

2. In the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included on pages 6 to 10 of the Director's Report (as part of the Remuneration Report) for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*.

3. The Directors have been given the declarations by the managing director and chief financial officer required by section 295A.

4. Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

CRAIG COLEMAN
Chairman of the Board

Perth, Western Australia

Dated this 30th day of August 2010

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AMADEUS ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Amadeus Energy Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Amadeus Energy Limited is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Amadeus Energy Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001.*

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, Western Australia
Dated this 30th day of August 2010

Shareholder Information

The number of shares held by the substantial shareholders as at 18 August 2010

Name	Shares held	% of total
Wyllie Group Pty Ltd	25,000,000	8.22
National Nominees Limited	24,441,837	8.04

Voting rights
The shares carry the right to one vote for each share held.

Distribution of shareholders as at 18 August 2010

Number of ordinary shares	Number of shareholders
1 – 1,000	338
1,001 – 5,000	1,149
5,001 – 10,000	776
10,001 – 100,000	1,921
100,001 and over	321
TOTAL	4,505

684 shareholders hold less than a marketable parcel of 2,084 shares in the Company.

The 20 largest shareholders of fully paid ordinary shares as at 18 August 2010

Name	Shares held	% of total
Wyllie Group Pty Ltd	25,000,000	8.22
National Nominees Limited	24,441,837	8.04
CVC Limited	12,423,758	4.09
J P Morgan Nominees Australia Limited	11,203,396	3.68
Spinifex Holdings Pty Ltd	8,346,865	2.75
C C & R E Indermaur	8,292,883	2.73
HSBC Custody Nominees (Australia) Limited	5,405,973	1.78
G F Towner	5,063,005	1.67
ANZ Nominees Limited	4,807,789	1.58
Kator Pty Ltd	4,455,000	1.47
Citicorp Nominees Pty Ltd	4,126,719	1.36
Jagen Pty Ltd	4,073,000	1.34
Merrill Lynch (Australia) Nominees Pty Ltd	3,145,996	1.03
A Cowen	2,750,000	0.90
Vulcan Custodian Limited	2,580,000	0.85
L H Gruy	2,262,000	0.74
Dahele Pty Ltd	2,087,750	0.69
Ray Donaldson Regent Pty Ltd	1,750,000	0.58
Ucan Nominees Pty Ltd	2,299,104	0.56
Yarandi Investments Pty Ltd	1,705,313	0.56
TOTAL	136,220,388	44.62